COUNTY COUNCIL – 8th FEBRUARY 2024

Medium Term Financial Strategy 2024/29 and 2024/25 Budget and Council Tax

Recommendations of the Leader of the Council and the Cabinet Member for Finance and Resources

We recommend that:

(a) The County Council approve the following:

i) a net revenue budget of £666.671m for 2024/25 as set out in **Appendix 11;**

ii) planning forecasts for 2025/26 to 2028/29 as set out in **Appendix 11**;

iii) a contingency provision of £15.000m for 2024/25;

iv) a net contribution to reserves of £4.552m for 2024/25;

v) a budget requirement of £671.223m for 2024/25;

vi) a council tax requirement of £459.123m for 2024/25;

vii) a council tax at Band D of £1,544.64 for 2024/25 which is an increase of 4.99% when compared with 2023/24. This results in council tax for each category of dwelling as set out in the table below:

Category of dwelling	Council Tax rate £
Band A	1,029.76
Band B	1,201.39
Band C	1,373.01
Band D	**1,544.64**
Band E	1,887.89
Band F	2,231.15
Band G	2,574.40
Band H	3,089.28

viii) that the Director of Finance be authorised to sign precept notices on the billing authorities respectively liable for the total precept payable and that each notice states the total precept payable and the council tax in relation to each category of dwelling as calculated in accordance with statutory requirements;

ix) the Financial Health Indicators set out in **Appendix 10**;

(b) That the County Council consider and approve the following recommendations which are included within the Capital and Minimum Revenue Provision Strategy 2024/25, the Treasury Management Strategy 2024/25 and the Commercial Investment Strategy 2024/25 (**Appendices 9a to 9c**):

i. Approve the Minimum Revenue Policy for 2024/25 as contained within the Capital and Minimum Revenue Provision Strategy 2024/25 in **Appendix 9a**;

ii. Approve the Prudential Indicators as set out within the Capital and Minimum Revenue Provision Strategy 2024/25 at **Appendix 9a**;

iii. Approve the 2024/25 Treasury Management Strategy, based on the 2021 CIPFA Codes (Prudential Code and Treasury Management Code), and 2018 MHCLG (now DLUHC) Guidance (on Local Government Investments and on Minimum Revenue Provision);

iv. Adopt the Annual Investment Strategy (AIS) 2024/25 detailed in paragraphs 63 to 109 and Annex A and Annex B of the Treasury Management Strategy 2024/25 (**Appendix 9b**);

v. Approve the policies on reviewing the strategy, the use of external advisors, investment management training and the use of financial derivatives as described in paragraphs 110 to 120 of the Treasury Management Strategy 2024/25 (**Appendix 9b**);

vi. Approve the proposed borrowing strategy for the 2024/25 financial year detailed in paragraphs 41 to 62 of the Treasury Management Strategy 2024/25 (**Appendix 9b**);

vii. The Treasury Management Strategy recommendations will operate within the prudential limits set out in Annex C of the Treasury Management Strategy 2024/25 (**Appendix 9b**) and will be reported to the Cabinet Member for Finance, with respect to decisions made for raising new long-term loans, early loan repayments and loan rescheduling;

viii. Approve the Commercial Investment Strategy for 2024/25 (**Appendix 9c**) and note the circumstances under which commercial investments can be made;

ix. Approve the governance arrangements that are in place for proposing and approving commercial investments;

x. Approve a maximum quantum for commercial investments of a further £20 million in 2024/25;

xi. Approve a maximum limit for an individual service investment loan of £10 million in 2024/25;

xii. Any upwards change in the amounts of the limits specified in recommendations x and xi be delegated to the Director of Finance in consultation with the Cabinet Member for Finance and Resources.

(c) That the Director of Finance be authorised to adjust the contingency provision to reflect any grant and local taxation changes announced in the final 2024/25 Local Government Finance Settlement;

(d) That Cabinet Members and the Senior Leadership Team begin the process of identifying savings and service transformation to be incorporated into the budget at the appropriate time.

COUNTY COUNCIL – 8th FEBRUARY 2024

Report of the Director of Finance

Medium Term Financial Strategy 2024/29 and 2024/25 Budget and Council Tax

Introduction by the Director of Finance

1. I am pleased to be able to introduce the Medium Term Financial Strategy (MTFS) 2024/29 and the detailed 2024/25 budget and council tax proposals. The MTFS has been prepared in conjunction with the Strategic Plan and sets out the framework for the preparation of detailed revenue and capital budgets, decisions on council tax and savings and investment plans.

2. Section 25 of the Local Government Act 2003 places a requirement on the Chief Finance Officer to report to the Council on the adequacy of reserves and robustness of the budget. The Council must have regard to this report when making its budget decisions. I have set out my comments in paragraphs 70 to 80 of this report. Given the degree of review and scrutiny of the budget that has taken place, the level of the contingency provision and the risk-based assessment of the level of general balances, this does, in my opinion, provide the reassurance required under Section 25 of the Local Government Act 2003.

3. I would like to thank Cabinet, Overview and Scrutiny Committee Members, the Senior and Wider Leadership Teams and colleagues throughout the council for their help and support in developing the MTFS and 2024/25 budget.

Financial Planning - MTFS Underlying Principles

4. In February 2023 the Medium Term Financial Strategy for 2023-28 was approved. This included a balanced budget for 2023/24 and a small amount of headroom for 2024/25 with a balanced MTFS period, assuming using £7m of reserves to balance 2025/26.

5. The position in February was a reasonably positive one, despite the global economic picture of rising inflation and interest rates. Inflationary pressures were addressed in the 2023/24 budget with assumptions that rates would start to reduce during the financial year. There was again a one year Finance Settlement for local government, although some national totals for some funding streams in 2024/25 were announced. This provided partial certainty for some grants.

6. Since the budget for 2023/24 was approved in February, inflation has not reduced as quickly as it was hoped and remains higher than the 2% target.

As a consequence, interest rates have risen higher than anticipated in February and are likely to stay at that level for longer than expected.

7. The Integrated Performance reports to Cabinet each quarter show a picture of relative financial stability during 2023/24, except for the areas of Children's Services and SEND Transport. Both areas are under pressures from increasing levels of demand and inflation. In addition the High Needs Block which is funded from Dedicated Schools Grant (DSG) is also overspending due to increased demand. This report seeks to address those pressures within the constraints of the overall level of resources available, underpinning the strategic plan to deliver effective services while living within our means.

8. Underpinning the planning framework is the council's aim of setting a Good and Balanced Budget.

9. Setting a **balanced** budget is a statutory requirement and means that:

    - Income equals expenditure;
    - Cost reduction targets and investment proposals are credible and achievable;
    - Key assumptions are "stress tested".

10. The hallmarks of a **good** budget represent best practice. They are designed to ensure financial sustainability and mean that:

    - It has a medium-term focus, supporting the Strategic Plan;
    - Resources are focused on our vision for Staffordshire and our priority outcomes;
    - It is not driven by short term fixes;
    - It demonstrates how the county council has listened to consultation with local people, staff and our partners;
    - It is transparent and well scrutinised;
    - It is integrated with the capital programme; and
    - It maintains financial stability.

11. We are continuing to transform and remodel how we work by making more use of technology and data in this digital age, this is ongoing with further advances in technology generating more possibilities. With less funding, we are looking at communities to take on even more responsibility and supporting people to make the best choices for themselves and their families so that fewer people need our help.

12. The financial plans set out the financial implications of the council's Strategic and Delivery Plans. The development and refinement of the Strategic Plan is undertaken in conjunction with the financial planning process to ensure that budgets reflect the council's aims and objectives.

13. The planning period is five years, which provides a framework that promotes longer term planning, this has proved difficult recently with single year settlements announced by the government.

14. Identifying efficiency through innovation and new ways of working has featured heavily in previous years' financial strategies and, in the light of the current economic climate will continue to be a fundamental part of the council's plans going forward. The council has a proven track record of delivering cost reductions with £127m being identified and delivered in the past seven years (up to and including 2022/23).

15. The County Council still has significant challenges ahead and the way residents' needs are met must continue to evolve. The delivery of challenging cost reduction targets and the management of current and future pressures is crucial to the delivery of the financial plans and the aspirations set out in the Strategic Plan.

16. In February 2023 the MTFS included a budget for 2024/25 with a small amount of headroom but new and emerging pressures may have eroded that and it is now necessary to update the financial plans for the changes and developments since February.

Current Economic Climate

17. In February when the MTFS was approved, inflation was 10.4% and since then has reduced to 3.9% in November. Although this remains higher than the target rate of 2%, the forecast from the Bank of England is that the target of 2% will be reached by the end of 2025.

18. The Bank of England has responded to the inflation crisis by increasing the base rate over the last twelve months. In February 2023, the base rate was 4.0% and the latest increase in August 2023 took the rate to 5.25%, since then it has remained static. It is expected that the rate will remain at current levels for some time before slowly reducing. For the County Council, higher interest rates mean larger returns on investments, while interest on external debt remains fixed.

Autumn Statement 2023

19. The Autumn Statement was announced on 22nd November by the Chancellor. The Office for Budgetary Responsibility (OBR) published its economic forecasts alongside the Autumn Statement. The forecast for inflation is that it will reduce to 2.8% by the end of 2024 and will average 1.8% over 2025. This is in line with the current assumptions in the MTFS on inflation. The economic forecast is for the economy to grow by 0.6% in 2023 and 0.7% in 2024 before increasing further.

20. The Autumn Statement did not include any specific announcements for local government, there was confirmation that benefits will rise in line with September's CPI rate of 6.7% which may imply that RSG will also increase by this percentage. The small business multiplier will continue to be frozen and the relief for retail, hospitality and leisure businesses will also continue in 2024/25. These measures are helpful for businesses and are fully funded for local government.

21. The main headlines from the Statement relate to pay, there will be a reduction in National Insurance rates down to 10% from 12%, which will come into effect from January 2024. This has no impact on the County Council as it affects the employees' rate only. The National Living Wage will increase to £11.44 from April and this will have a potential impact on contractual obligations, particularly those with providers of social care and transport. If additional funding is required to meet these obligations next year then it may be necessary to consider pricing in future years with reserves used to smooth out the impact over the MTFS.

Provisional Local Government Finance Settlement

22. The Provisional Settlement was announced on 18th December by the Secretary of State, Michael Gove. The Settlement provided the County Council's funding allocations for 2024/25 only and as national totals had been provided in the 2023/24 Settlement, these mostly confirmed previous forecasts. There were no new grants included, but some funding streams attracted inflation at the rate of 6.7%, based on September's CPI. This along with the government's assumptions on the tax base mean that Staffordshire's Core Spending Power increased by 6.9%, the national increase is 6.5%.

23. There was some additional funding included in the Social Care Support Grant beyond the previous forecast and New Homes Bonus was also allocated for 2024/25 when the assumption had been that this funding stream would cease. However, the Services Grant had been assumed to continue at an amount of just under £4m, this funding stream has been reduced nationally in order to fund increases in other elements of the Settlement, and Staffordshire's allocation is £644,000. Taking this reduction and the increased allocations into account, the net position is a small overall increase of £3.691m.

Projected pressures and cost reduction options

24. Services have made efforts to mitigate their own spending pressures in order to maintain a balanced budget. The impact on our communities has been carefully considered and is shown at **Appendix 1**. The current list of pressures, investments and savings options are attached as **Appendices 2a-2e** and the key impacts are discussed in the paragraphs that follow.

25. Inflation is mentioned above as having an impact on the County Council, this affects all services but is particularly being felt by Children's Services in relation to placement costs and also within SEND Transport due to the use of fuel. However, current forecasts show that inflation will continue to reduce as we head towards 2024/25 and is expected to fall back to around 2% during 2025. For this reason, the standard inflation assumption in the MTFS has been brought back to 2%. Any contractual increases over and above that level are honoured. In addition to rising prices, there is also inflationary pressure on pay with an assumption that there will be an increase around 3% in 2024/25. The total amount of inflation is £22.3m additional pressure in 2024/25, which is in addition to the £26m which was added last year and whilst some of this can be funded from the inflation reserve, the use of reserves over a longer term period is not sustainable.

26. Health and Care is facing cost pressures from an ageing population and also increasing inflation in prices, in large part as a result of uplifts in the National Living Wage. Issues with recruitment and retention among providers mean that it is difficult to allocate care packages, in particular to those vulnerable adults being discharged from hospital. The allocations of non-recurrent funding do not allow for longer term financial planning, either by the County Council or by providers.

27. The pressures in this area have been largely funded by the forecast additional Social Care grant and the increase in the Adult Social Care precept. However, there remains a risk that this additional grant does not materialise and that in future years, the additional grant will not be enough to fund all the emerging pressures.

28. Actions are ongoing to manage demand including to expand and make better use of voluntary support in the community, to quality assure new assessments and regularly review people already receiving care to ensure appropriate interpretation of Care Act eligibility criteria.

29. Actions are also ongoing to manage prices including to manage choice of services in line with our powers under the Care Act, to make use of new technologies to generate efficiencies, as well as to block book nursing home beds and develop new nursing home capacity.

30. The Children and Families Directorate's current plans continue to be dominated by the transformation of the Children's system specifically; against a backdrop of increasing demands on Children's Services with increasing numbers of children in our care and an increasing number of EHCPs where transport needs to be provided. An additional £9.5m has been added to the Children's Services budget for 2024/25 to fund increasing numbers and cost of placements. The existing savings still remain to be delivered and the additional budget reprofiles these over the MTFS period.

31. The children’s social care system is being transformed and now enables a whole system approach, bringing together children’s social care, SEND and Inclusion, the Place Based Approach and commissioning. It is essential for the delivery of revised practices / cultures that underpin the necessary MTFS savings and stabilisation of SEND. However, the number of children needing our help is increasing beyond the levels which are assumed in the MTFS.

32. Increasing numbers of EHCPs are placing further pressures on SEND services including Home to School Transport. This service area is also under pressure from fuel price increases and the refreshed MTFS now includes the ongoing impact of those pressures. Additional funding of £647,000 has been added to the service’s budget to fund inflationary pressures on fuel and a further £2.800m has been added to address the overspend arising in 2023/24. The service has a plan to address both demand and volume increases, in order to deliver the savings assumed within the MTFS which are £1.5m in 2024/25, rising to £9.5m by 2028/29.

33. The High Needs Block (HNB) is forecast to overspend by £20m. This reflects the continuing growing demand for SEND Support which is impacting across all areas but especially the Independent Sector with numbers now double what they were four years ago, and given the more expensive placement cost, this is by some way the largest budget pressure in the HNB. There is increasing complexity of need and costs impacting all areas.

34. Accordingly, this overspend will be charged against the DSG reserve which, at the end of 2022/23 was already £14.2m in deficit. Given the current forecast overspend this will likely be over £30m in deficit at the end of the current year. The Council’s deficit management plan, that is consistent with the wider objectives outlined in the SEND Strategy, outlines the targeted interventions that will seek to mitigate the existing shortfall. This will take time and at this stage, does not appear to have had any significant impact on what is a worsening position. The current forecast of the deficit, without any mitigations shows that almost £300m could be reached by the end of the MTFS period.

35. The Social Care grant has been fully utilised in funding the pressures in both Adults’ social care and Children’s Services, as described above. The additional grant allocated as part of the Settlement has been set aside as a provision for the care services IT programme. The pressures in both service areas are considerably more than the amount of the grant.

36. Outside the issue of social care, there are pressures in other service portfolios with the main one being around rural services and tree management. Additional pressures have been recognised to improve the management of council-owned trees, along with pressures relating to removal of charges for non-household waste.

37. Support services are generally living within their means and are identifying savings where possible to mitigate any emerging pressures.

38. The total pressures and cost reductions, including the increasing pressures and savings from previous years, are shown in the table below. A summary by Directorate is attached at **Appendix 3.**

	2024/25	**2025/26**	**2026/27**	**2027/28**	**2028/29**
	£m	**£m**	**£m**	**£m**	**£m**
Pressures	37.509	50.014	54.134	62.425	75.347
Inflation	22.305	38.819	51.003	62.596	74.204
Savings	(1.267)	(0.555)	(0.455)	(2.755)	(4.955)
Investments	(0.015)	(0.015)	(0.015)	(0.015)	(0.015)
Net Movement	**58.532**	**88.263**	**104.667**	**122.251**	**144.581**

Risks

39. There are a range of significant risks which need to be carefully monitored and managed. In some cases, the risks may not materialise or may be managed to mitigate their impact on the budget.

40. There is a huge level of uncertainty in the MTFS due to a number of factors. The global economic pressures are continuing to impact on the UK as a whole and will continue into 2024, according to forecasts. The County Council also feels the inflationary pressures and increased demand in particular service areas.

41. Having a one-year Settlement announced each does not aid longer term financial planning and does not allow the County Council to do as much as it could to stabilise the care market. There is also an increased risk of funding reductions in the next Spending Review period, particularly in relation to the social care grants which are currently received.

42. There have been a number of reviews of funding discussed over the past few years, either relating specifically to council tax or business rates or a more general Fair Funding Review. Currently nothing firm has been outlined and these proposals remain uninitiated.

43. The biggest risks are in social care, both Adults' and Children's. This includes our ability to continue to control demand as the population continues to age, and the success of ongoing actions to control prices. These also need to be seen against a backdrop of ongoing pressures in the local NHS, which tend to drive up both demand for and the price of care. The increase in the National Living Wage will potentially increases costs in

this area and there is a risk that price in future years will be impacted or more funding from reserves will be required as a result.

44. The announcement of a delay to the introduction of the social care reforms means a delay to those costs being incurred, however it is not yet known exactly which measures will still have to be implemented and therefore how much the County Council will need to pay.

45. Risks are inherent in the whole system around Children's and Families including risks around capacity in the courts to facilitate children leaving care and the risk of numbers of children needing our care continuing to rise. Currently the number of children in our care is increasing and there are more children with complex needs who also require more costly placements as a result. There is also a financial risk involved in the County Council's response to the recent OFSTED report on Children's Services both in terms of the potential cost of delivering the agreed implementation plan and also an increased risks around non-delivery of agreed savings.

46. The risk of increasing numbers of children requiring an Education and Health Care Plan (EHCP) is significant and these plans are driving costs in SEND Transport in particular. Increasing numbers of EHCPs also increase the overspend on the High Needs Block, further increasing the Dedicated Schools' Grant (DSG) deficit. The statutory override that is currently in place regarding DSG deficits is set to expire in 2025/26 meaning that a combination of a reconsideration of expectations, reductions in spending levels and additional funding from government is required in order to address the underlying deficit. A continuation of the statutory override beyond 2025/26 is a scenario that may well arise given the complex and difficult nature of the answers to this situation but it is not a sustainable answer as is simply puts off the problem to the medium term when the size of the deficit is expected to be much larger. Without a considered and fully funded solution this situation would cause the council to have to make significant changes to its current plans to deal with a problem largely not of its own making.

47. In relation to the council's capacity to deliver, there is an increasing risk that restructures are not embedded in services. The reduction in resources, particularly corporate support resources, would also impact on the capacity to support and deliver key strategic aims. The requirement to deliver a new social care system will need a huge amount of resources, diverting staff away from transformation projects which may have savings attached and assumed in the MTFS.

48. Loss of specific grants and hence income to the authority is a risk. There is a prevalence of bidding processes for funds which takes capacity from other service provision and is also very reactive. A better approach is to allocate funding directly to authorities for them to decide how best to spend it in their local areas.

49. There is an increased risk of spending exceeding budgets and/or income falling short of budgets. The council has a proven track record of delivering significant cost reductions. However, the fact that further reserves will be needed to balance the budgets beyond 2028/29 mean that additional savings need to be identified. There is a heightened risk associated with current plans not being delivered and outcomes not achieved. In previous years and for a variety of reasons, some transformation programmes have not fully achieved the targets set and therefore appropriate contingency arrangements need to be in place. The risk of a major cyber security breach could have significant financial implications, which would involve use of reserves and there could also be significant resourcing implications which could impact on service delivery including transformation.

50. Delivery Plans now need to be revised in the light of the financial situation facing the council. The governance arrangements for this significant programme include regular reports to Informal Cabinet, Select Committees, Senior Leadership Team, Delivery Board, Service and Project Boards.

51. With regard to the risk of overspending against budget, thorough budget preparation and detailed monitoring during the year, coupled with personal financial accountability, minimises this risk. Furthermore, Finance Business Partners can identify any concerns at an early stage, advise management teams and recommend measures to mitigate the impact. Budget monitoring reports are regularly considered by management teams and by Select Committees, Portfolio Holders, SLT and Cabinet on a monthly basis.

52. As the county council continues to transform, we recognise this also presents a potential significant impact for some of our communities, individuals and staff. Community Impact Assessments (CIAs) are therefore a critical component of the council's decision making processes. Each of the options outlined in this paper is likely to have a very different impact and affect different groups of people, therefore where appropriate these will require a specific CIA tailored for that service.

53. As such, services will undertake full and detailed CIAs where there is a change to service, commissioning or policy, in line with its CIA framework. This includes identifying those potential negative impacts where changes could affect different groups of people and seek to identify those key actions we will take to reduce any negative impact, protecting Staffordshire's most vulnerable where possible.

54. There will be corporate support and guidance offered in assisting services in the development of their CIAs, ensuring they are developed at the earliest stage, inform thinking and are continually reviewed as part of implementing changes.

Sensitivity Analysis

55. In terms of assessing the impact of changes under various scenarios the following table sets out a guide to the effect of changes to the major cost elements/funding streams:

Impact of (+ or -)	Equates to (+ or –)
1% Council Tax	£ 4.3 million
1% Business Rates growth (SCC receives 9% of the total collected rates across Staffordshire)	£2.8m across Staffordshire, of which SCC receives £268k (9%)
1% Pay award (excludes staff funded from specific grant (e.g. Dedicated Schools Grant)	£ 2.0 million
1% Non-pay budget	£ 0.8 million
1% Contractual inflation	£1.9 million
1% Interest (on balances)	£1.0 million

56. Details regarding the assumptions used in the financial planning exercise for the major cost elements and funding streams are attached as **Appendix 4**.

Council Tax and Business Rates

Council Tax

57. The current assumption in the financial plans contained in this report is that the general council tax increase is 2.99% for 2024/25 and the Adult Social Care precept is to be increased by 2%, in line with referendum limits. Thereafter, it is assumed that the general precept increases by 1.99% and that the Adult Social Care precept increases by 1%.

58. The County Council has never exceeded the referendum limit. However, it is legally permissible to set a council tax increase in excess of the limit, subject to taking the increase to a public referendum. This is not a decision that would be taken lightly, while it remains an option, significant sums of money would be required to hold a referendum and, by its very nature, the outcome of the referendum is uncertain. To date no referendum in the UK has ever supported an increase in Council Tax.

59. The District and Borough Councils have provided their tax bases to allow the council tax to be calculated. The council tax for the County Council is calculated by dividing the council tax requirement by the notified council tax base. The council tax base is the number of households in the county area expressed as a Band D equivalent.

60. An increase in the tax base of 1.20% had been assumed, in accordance with the 2023/24 MTFS. However, the notifications show an increase for 2024/25 of 1.18%. Details of the council tax base by District and Borough council are attached as **Appendix 5**. Following discussions with District and Borough Councils, the MTFS assumes a slight reduction when compared with current planning assumptions over the MTFS period.

61. District and Borough councils are required to declare the surplus or deficit on their council tax collection funds each year. The surplus or deficit is then reflected in the council tax bills for the following year. The estimated position set out in **Appendix 5** shows the overall surplus relating to 2024/25 of £1.795m.

62. The County Council must notify District and Borough Councils of its council tax rate for each property band before 1st March each year. The council's proposed council tax at Band D is £1,544.64 which is an increase of £73.41 per annum for the average taxpayer. As there are no special expenses for the council, the same rate applies across all District and Borough Councils. The table below sets out the council tax proposals for each category of dwelling. The Band D rate produces a Council Tax Requirement of £459.123m for 2024/25. Details of the precepts due from each District and Borough Council are shown in **Appendix 5**.

Category of dwelling	Council Tax rate £
Band A	1,029.76
Band B	1,201.39
Band C	1,373.01
Band D	**1,544.64**
Band E	1,887.89
Band F	2,231.15
Band G	2,574.40
Band H	3,089.28

Business Rates

63. Businesses across the globe have been hit by rising costs and increased interest rates therefore only a small increase in income from business rates is assumed for 2024/25. Additional detail on the amount of income we can

expect will come at the very end of January when we receive copies of the returns sent by the Districts and Boroughs to government.

64. In the current year, the county council is part of the Staffordshire and Stoke on Trent Business Rates Pool which means we can maximise the amount of business rates income retained in the County and City. It is intended that the County Council remain a member of this Pool for 2024/25.

Capital Programme and Investments

65. The County Council invests a significant sum (over £100m each year) in a wide range of capital projects including the road network, schools and economic development schemes. At this stage the Capital Programme can only be estimated as the levels of grant and other funding sources are not yet announced, either for 2024/25 or future years therefore the Programme will be updated quarterly as further allocations are published and as spend against the projects becomes known.

66. The Capital Programme includes further investments in Highways along with projects funded from the Levelling Up Fund. In addition, work is continuing on two new primary schools in Tamworth and an extension to Oldfields Hall Middle School, these investments are consequences of increasing pupil numbers in those areas. Work continues on the Stafford History Centre and on the Chatterley Valley project. Further details of the Capital Programme 2024 – 2029 can be seen at **Appendix 8** together with funding information. The Programme assumes the continuation of the 5% top slice of general capital allocations to help fund corporate priority projects.

67. The Capital Strategy is attached to this report as **Appendix 9a** and it explains how the capital programme will be funded and the implications for that funding on the revenue budget. The Capital Strategy is interconnected with the Treasury Management Strategy (**Appendix 9b**) and the Commercial Investment Strategy (**Appendix 9c**). All three strategies show how the County Council's investments, whether in its services or in a commercial venture, can be funded and what the implications are for that funding.

68. There are also a number of investments which will be delivered by services on an invest to save basis, or by undertaking a small amount of borrowing. The aim of these investments is to help residents, business and visitors to enhance where we live. These investments are not all capital in nature and they cover a number of service areas such as Countryside, Highways, Cultural, Children's Services and Streetlighting. There is also a significant investment in initiatives (either directly or as part of wider projects and programmes) to help the council to deliver its priorities in respect of climate change. For example on aim is to plant up to 1 million extra trees on

council land to help with carbon reduction aims. Progress on these projects will be monitored and reported back to Cabinet during the year.

69. In addition, the County Council produces Financial Health Indicators to assure Members that the Council is on track to deliver its financial strategy. These Indicators are attached at **Appendix 10** and performance against these will be monitored and reported throughout the year. The aged debt indicator has been re-calculated in the light of increased income levels and changes to charging arrangements and is subject to final assessment by the Director of Finance.

Section 25 Statement

70. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report to the Council on the adequacy of proposed reserves and the robustness of the budget. The content of this report contains many references, information and analysis to satisfy this requirement and the main points are as follows:

Review of Reserves and Balances

71. We have reviewed the earmarked reserves and provisions we hold to make sure they are still required and that they are adequate. As part of producing the formal accounts of the council for 2022/23 earmarked reserves were reviewed. Excluding those reserves earmarked for schools, the remaining reserves are deemed to be fit for purpose for matters such as insurance claims, capital investment and for other purposes such as deficits arising as a result of IFRS9 if applicable. Currently the County Council does not hold any material deficits of such a nature apart from the DSG deficit which is discussed below. The earmarked reserves are monitored during the year and their level assessed in line with the financial risks. This review of reserves can be seen at **Appendix 6**.

72. At the end of 2022/23, general balances were £52.3m and subject to any unforeseen issues, they are forecast to remain at that level by March 2024. In recent years, the pandemic and then rising inflation have proved the importance of holding balances against uncertainties. The risk assessment considers the uncertain future economic and funding outlook and the risks surrounding the financial plans which are set out in this report. It is quite clear that in several areas, e.g. adult social care and looked after children, that the level of risk facing the council has increased substantially. In addition, the lack of clarity around future funding levels has been taken into consideration. The assessment, attached as **Appendix 7**, has concluded that in excess of £55m is deemed to be an appropriate level for the council.

73. Alongside this review, the level of Contingency has been assessed and included in the MTFS at a level of £15m for 2024/25 and £10m from 2025/26 onwards, to reflect the increased risks facing the County Council at

this time. Any unused sums from Contingency will be used to increase general balances in line with the risk assessment.

74. The review of earmarked reserves, general balances and contingency has also been considered in the light of the latest analysis in CIPFA's Resilience Index. A considered strategy, over recent years, of ensuring suitable resilience in the council's reserves by making additional contributions to ensure levels match the risk assessment. The latest available CIPFA index shows the council as low risk in regard to the level and use of usable reserves.

75. However a continuing risk is emerging in respect of Dedicated Schools Grant (DSG) deficits. The High Needs Block is forecast to overspend on an on-going basis and current plans for managing these deficits will not address the full shortfall unless additional cost reduction measures are agreed. The statutory override that is currently in place regarding DSG deficits is set to expire in 2025/26 meaning that a combination of a reconsideration of expectations, reductions in spending levels and additional funding from government is required in order to address the underlying deficit. A continuation of the statutory override beyond 2025/26 is a scenario that may well arise given the complex and difficult nature of the answers to this situation but it is not a sustainable answer as is simply puts off the problem to the medium term when the size of the deficit is expected to be much larger. Without a considered and fully funded solution this situation would cause the council to have to make significant changes to its current plans to deal with a problem largely not of its own making.

Robustness of the budget

76. The budget has been prepared involving budget managers, Senior Leadership Team, Cabinet (supported by professionally qualified officers) and has been subject to review by the Corporate Overview and Scrutiny Committee. Major planning assumptions and the MTFS process are also examined by the external auditor. The assumptions included within the MTFS can be seen in **Appendix 4** and the sensitivity analysis at paragraph 49 demonstrates how fluctuations in the assumptions can impact on the budget. The County Council does not place reliance on income from commercial activities.

77. Savings included in the MTFS have also been subject to a robust review and agreement to deliver the savings has been provided by both Directors and Cabinet Members, reflecting the level of commitment provided by the County Council to deliver the savings included within the budget. Risks are always present along with external factors which could hinder the ability of services to deliver their savings. It is accepted that there is a risk of external factors hindering the delivery of savings in Children's Services and in SEND Transport.

78. The investments discussed in paragraph 59 have been considered in the light of the risks to the MTFS and in relation to the level of reserves. The investments are considered to be affordable in this context, however it is noted that the continued use of reserves and general balances to support the MTFS is not sustainable beyond the current period and savings are required to balance the budget beyond 2028/29.

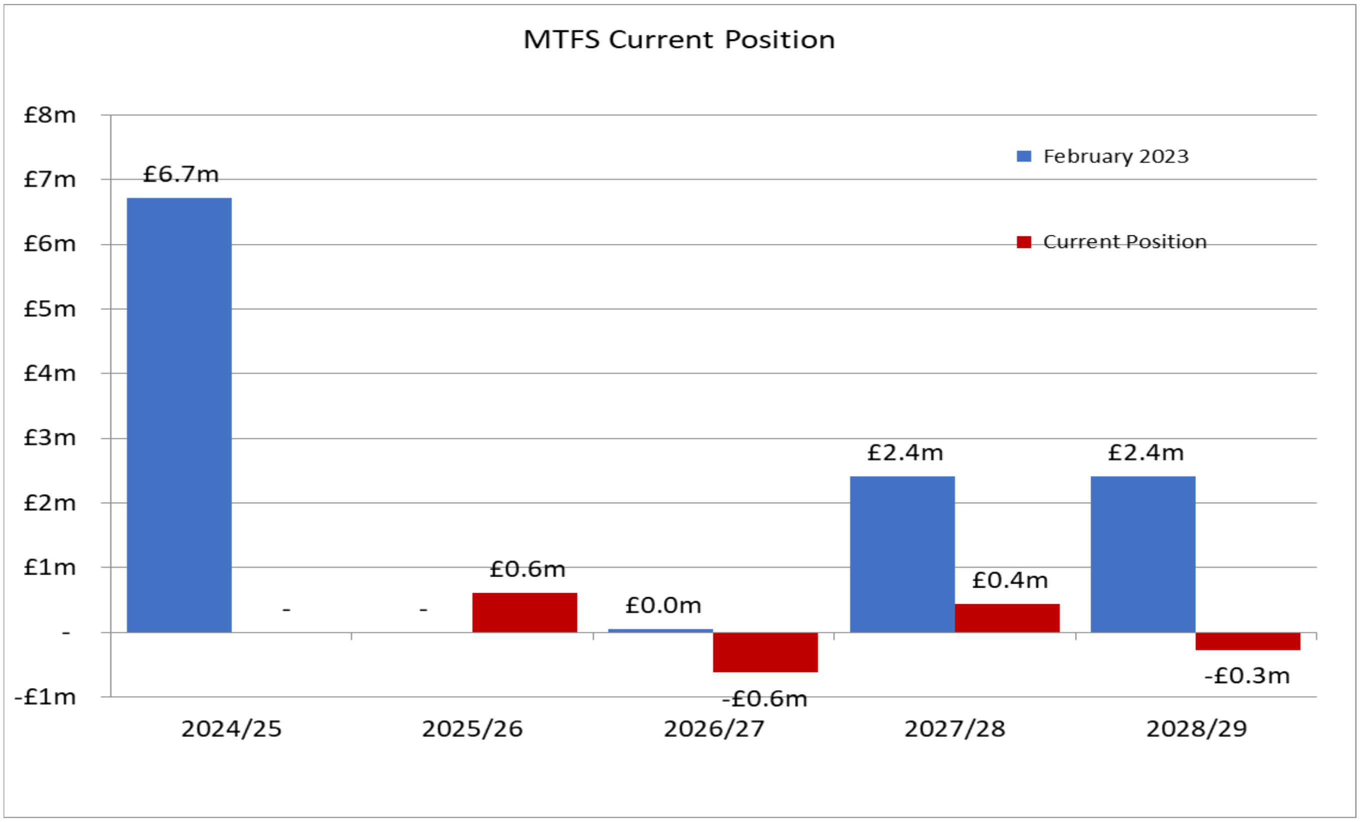
79. The use of reserves to support investments and the MTFS is also included in the Treasury Management Strategy and the underlying assumptions on interest rates and borrowing costs are reflected in the Strategy which can be found at **Appendix 9b**. Borrowing costs remain stable as loans were taken out at fixed rates in previous years but the debt portfolio is reviewed regularly by the Treasury Management Panel. Any significant variations in assumptions which would require amendments to the Strategy would be reported to Cabinet as appropriate.

80. The Director of Finance confirms that the spending plans identified within the MTFS and the council tax calculation for 2024/25 are robust estimates that direct resources towards priorities in an affordable manner, reflect the best estimates available and give due consideration to the risks facing the Council over the MTFS period. The Director of Finance is satisfied that the budget has been prepared in a robust manner.

Summary of Medium Term Financial Strategy

81. In February 2023, a small amount of headroom was reported for 2024/25 with a balanced budget in future years, assuming funding from reserves. Since then, services have faced increased demand and have also identified further cost reductions to help mitigate the pressures.

82. Assuming the spending pressures and savings options identified in **Appendices 2a-2e** are approved, the current position, compared to the position in February, is shown in the graph below:



83. The graph shows a balanced MTFS period, with contributions into reserves in the first two years and then using that funding in the latter part of the five year period. Beyond the MTFS period, this is not sustainable and in the longer term, a savings or transformation programme will have to be identified to bridge the funding gaps. The Digital Strategy also needs to be developed alongside any transformation programme.

84. The 2024/25 draft revenue budget for each service area together with planning forecasts for future years is attached as **Appendix 11.** An analysis of the year on year changes to the budget is summarised in **Appendix 12**, while **Appendices 13a-13e** provide details of the budget allocations within each portfolio.

Corporate Overview and Scrutiny Committee Recommendations

85. Scrutiny has been undertaken on the MTFS by the Corporate Overview and Scrutiny Committee. The report of the Working Group was approved at the Committee meeting on 18th December 2023. The report includes four recommendations which Cabinet have considered and both recommendations and responses can be seen in **Appendix 14.**

86. An additional report from the Corporate Overview and Scrutiny Committee provided recommendations around the County Council's actions in relation to climate change. Cabinet have included a number of investments as

mentioned above within the MTFS and some of these will have beneficial impacts on climate change and the local environment.

Consultation

87. Attached at **Appendix 1** is the Community Impact Assessment which sets out the approach to assessing the impact of the savings options on communities and provides an analysis of the potential cumulative impact of the options.

88. Business ratepayers were consulted on 17th January 2024 when they met with the Leader, Deputy Leader and key officers. Businesses are concerned with increasing inflation and the additional costs of business rates. It is felt that the business rates system requires reform. Recognising that these issues are national ones, ratepayers welcomed the County Council's investments in the local economy but the larger, national issues remain their more pressing concerns.

89. Consultation with the Trade Unions took place on 23rd January 2024. Concerns were expressed regarding the capacity of early years providers to deliver the extended provision required by the government. It was acknowledged that the MTFS does not contain any proposals which would impact negatively on schools.

Conclusions

90. The MTFS in February 2023 had a small amount of headroom in 2024/25 and since then, approximately £30m of pressures have emerged. These mainly relate to inflationary pressures and increased demand in Children's Services and in SEND Transport. A total of £59.814m of pressures have been funded in 2024/25, alongside some targeted savings around existing programmes such as children's transformation and the management of demand for SEND Transport. These pressures and savings and a targeted, controlled use of reserves mean that the MTFS is balanced over the five year period. This is a significant achievement particularly in the current economic climate.

91. In addition to balancing the revenue budget in the medium term, the County Council also has a large capital programme planned in 2024/25 with investments in schools, roads and economic regeneration schemes. Some smaller scale investments are also planned and these will enhance where we live along with supporting climate change. All the investments planned are affordable, meeting the pledge included in the Strategic Plan to ensure we live within our means at all times, whilst delivering on the County Council's priorities.

92. There are a number of risks to this strong financial position such as the next Spending Review and any future government reviews of funding

schemes. Also the continued use of reserves to balance the budget is not sustainable in the longer term and therefore work must begin on identifying ways to reduce the cost base.

93. The council remains ambitious for Staffordshire, exploring new options and areas to make our county better. However, the financial uncertainty makes planning over the medium term very difficult. The approach is to use reserves in a targeted way to ensure there is a balanced budget for the period from 2024/25 to 2028/29, but even with this use of reserves, there remain significant risks to financial stability.

94. The longer term financial stability of the County Council would be damaged by prolonged use of reserves, this is not sustainable and therefore a transformation programme needs to be identified so that savings can be generated from Year 5 of the MTFS period onwards. The Digital Strategy has a role to play in this future transformation programme.

Rob Salmon
Director of Finance

List of Appendices

1. Community Impact Assessment

2. Detailed Pressures, Savings and Investments

   a Health and Care
   b Families and Communities
   c Economy, Infrastructure and Skills
   d Corporate Services
   e Finance

3. Summary of Pressures, Inflation, Savings and Investments

4. Major assumptions used in MTFS

5. Council Tax Base, Collection Fund and Precepts

6. Review of Earmarked Reserves

7. Risk Based Review of General Balances

8. Capital Programme 2024/25 to 2028/29

9. a. Capital Strategy
   b. Treasury Management Strategy
   c. Commercial Investment Strategy

10. Financial Health Indicators

11. Proposed Net Budget 2024/25 and Planning Forecasts 2025/26 to 2028/29

12. Summary of Budget Changes

13. Directorate Budget Summaries

    a Health and Care
    b Families and Communities
    c Economy, Infrastructure and Skills
    d Corporate Services
    e Finance

14. Recommendations of the Corporate Overview and Scrutiny Committee and Cabinet’s responses

Legal implications:

At this stage in the development of the financial plans there are no specific legal implications presented by this report.

Some of the decisions required in the report carry a risk of legal challenge. The Council's response to any challenges will be considered if and when they arise on the basis of whether they are likely to be successful.

Resource and Value for money implications:

The Resource and Value for money implications are set out in the report.

Risk implications:

Risk implications are outlined in paragraphs 39 - 54 of the report.

Climate Change implications:

Investments in initiatives relating to climate change have been considered as part of the MTFS process and are included within budgets as appropriate.

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Staffordshire County Council

Appendix 1

Annual MTFS Community Impact Assessment Report

2024/25

Author: Keith Luscombe, Strategic Policy and Partnerships Manager and Amanda Dawson-Blower, Strategic Policy Officer

Date: 23 November 2023

Annual MTFS Community Impact Assessment (CIA) – 2024 / 25

1. Background / Overview of MTFS CIA Process

1.1. Staffordshire County Council's Community Impact Assessment (CIA) policy forms a critical component of our decision-making processes. It sets out a clear and consistent organisational approach to how we assess the impact of service changes, commissioning and strategy for our communities.

1.2. The annual Community Impact Assessment (CIA) of the County Council's Medium-Term Financial Strategy (MTFS) was established in November 2018. The purpose of this remains, to provide a high level, strategic assessment of MTFS impact, considering the cumulative impacts of key MTFS savings proposals and examining what these may mean for Staffordshire's communities, places and our most vulnerable residents.

1.3. The usual annual review of the MTFS has recently taken place which sets out how we will work to gain the maximum impact of our ambitions for Staffordshire, as outlined in the Strategic Plan 2022-26, and deliver value for money. This is subject to approval by Cabinet in January 2024. The potential cross-cutting community impacts of this are a key consideration, therefore, to accompany this, the MTFS CIA has also been refreshed to consider the impact of any additional savings proposals. This paper also provides a progress update against the previously identified four CIA priorities in the 2023/24 CIA; and refreshes the list of CIA priorities for the upcoming year.

2. Current MTFS CIA Priorities (2023/24) – Progress Update

2.1. The MTFS CIA presented to Cabinet in January 2023 reported the following four proposed savings options with the highest potential impact on our communities and the places they live:

- Embedding the Children, Young People and Families transformation phase 2 (including SEND)
- Community Offer for Learning Disabilities
- Rural Review and Reorganisation (including countryside estates and rights of way)
- Strategic Review of the Care Market

2.2. The assessment also identified some cohorts as being at greater risk of potential cumulative impacts as a result of the MTFS savings proposals, these were:

- Children and Young People / Families

- People with a disability / Older people
- Localities

2.3 Appendix A provides a progress update against each of the current MTFS CIA priorities listed above in paragraph 2.1, as well as an overview of the known impacts on communities and the priority cohorts also listed above in paragraph 2.2.

2.4 Continuing to deliver against our priorities, doing what is necessary to support our most vulnerable residents, whilst creating the right conditions for our economy to thrive remains a key focus, as does ongoing work to tackle climate change. Like many other councils, we face rising costs and high inflation putting additional pressure on our finances, alongside challenges around demand and capacity within Children's services, Special Educational Needs and Disabilities teams and in adult social care.

2.5 Acknowledging the above, the main finding from this year's MTFS CIA work is that our close working with partners, key stakeholders, communities and our workforce has helped to mitigate service impacts on some of our key vulnerable groups and ensured continued and flexible delivery of services. Where changes have gone ahead, full individual service CIAs have been developed and conversations have taken place both internally and with key stakeholders to ensure potential impacts are minimised.

2.6 The MTFS CIA Task and Finish Group met in November 2023 to review and discuss each of the four current MTFS CIA priorities and identified several cross-cutting themes which have helped to mitigate the impact of current changes on individuals and our communities.

- **Partnerships** – Continued strong engagement and collaboration with partners has enabled effective implementation of some key MTFS changes. Changes happening have required close work with the VCSE sector, Integrated Care Board partners, providers, businesses, as well as District and Borough Councils, both to minimise potential negative impacts and to maximise benefits. This has included, for example, changes across the 'Strategic Review of the Care Market' to ensure access to good quality and affordable care home placements are available when they are needed, the 'Rural Review and Reorganisation programme', including an increased focus on opportunities with businesses across countryside estates, as well as the Healthy Parks Programme links to Better Health Staffordshire, along with 'embedding the Children and Young People's transformation', including the SEND Strategy and partnership implementation.

- **Communities** – Through the Council's Communities Delivery Plan, we have worked closely with our communities and partners to support our residents to help themselves and each other, which has contributed to minimising any potential negative impacts of change across our four MTFS CIA priority areas. The Council has worked with partners in the VCSE sector to review and agree our new Early Help Strategy 2022-27 and Family Hub Model, with the latter now in operation. This will change the way support for families is delivered locally, underpinned by a 'whole family' focus and further joint working across the Council's Children and Families services and targeted Early Help partners. Following the recommission of our support for the VCSE sector, the new VCSE Strategic Capacity Building Partnership contract has seen SCVYS and Support Staffordshire continue to work with the Council to build capacity in the sector and deliver key programmes of work. As part of the new arrangements, SCVYS have engaged with local children, young people, parents, carers and professionals in the development of 'Staffordshire's Co-production Promise', to enable the system to do co-production well . More widely through the new arrangements, the local VCSE sector has been supported to access over £4m of funding, over 700 organisations have been provided with development support, and over 200 VCSE representatives have received training support. Collectively this support has helped the VCSE sector to remain sustainable and grow. A range of activity has also taken place to support the Council in delivering its wider strategic priorities such as Early Help and prevention work.
- **Flexibility and doing things differently** – Whilst increasing costs along with rising demand of social care for adults and children, together with high inflation, continues to put pressures on finances, we have continued to do what is necessary to support those most in need. The Council has taken a flexible approach in response to these challenges by delivering some services in a different way, to help minimise the impact on the residents and communities we serve. Examples include:
  - A flexible approach is being adopted in response to challenges associated with Children's improvement, alongside increasing cost, number and complexity of Child Protection and Children in Care. A new Discharge Planning Team went live to help progress exit activity for Children in Care and Staffordshire is to be one of 10 local areas to deliver a major government pilot scheme with the Department for Education, aimed at transforming children's social care (The Family Network pilot will be rolled out in Spring 2024).
  - The 'Community Offer for Learning Disabilities' has involved taking a co-production approach with service users and families, resulting in an integrated service pilot now being completed. This has helped inform future service delivery around supported holidays, short-term replacement care, and home-based respite.

- The 'Rural Review and Reorganisation programme' focuses on a new and strengthened Vision for the Estate, following Covid-19 and wider changes, impacting on the approach to the future management of countryside sites. The estate management is being retained in house, and the timing and approach on extending pay and display parking is being considered further, recognising cost of living pressures being faced by many.
- The 'Strategic Review of the Care Market' has continued to help address issues around rising costs, for example establishing a Staffordshire fair cost of care rate for older people's care with providers, and increasing rates paid to care providers.

2.7 In addition, the MTFS CIA Task and Finish Group highlighted continued work underway to address the nationwide recruitment challenges, through several broader initiatives to ensure the Council is further equipped to attract talented and diverse new people, with an aspiration to be employer of choice in Staffordshire. This approach has already seen an increase in applications for roles, as well as attracting more diverse applicants.

2.8 Also, as demand for care and support continues to rise across the country, the Council and partners across Staffordshire have produced a wide-reaching Future Social Care Workforce Strategy that is helping to address retention and recruitment challenges. At the centre of this work remains a focus on innovation and being bold in how we recruit and retain the right people. The 'annual staff survey and provider self-assessment' showed that recognition and making a difference is really important, and this will further shape work to attract and retain staff to deliver high-quality care and support across the sector. Alongside this, work continues within Children and Families, with a focus on workforce to help address current issues such as ongoing placement pressures and increased demand for Education Health and Care Plans.

3. Refreshed MTFS CIA Priorities for 2024/25

3.1. Following an annual review of the MTFS, a refresh of the current CIA has been undertaken, to ensure any associated cumulative impacts are considered alongside additional saving options proposed by the latest MTFS. **This analysis can be seen at Appendix B to this report.**

3.2. The table at Appendix B provides an assessment of the potential impacts on communities, based on proposals set out in the refreshed MTFS for 2024-29, as well as an overall community impact rating for the respective Council business area.

3.3. Overall, this annual review highlights that many of the current MTFS CIA priorities remain relevant for the upcoming year, with ongoing implementation monitoring of impacts in place. In addition, there have been no new savings proposals identified as having a potential high impact on our communities and the places they live. The refreshed list of 3 CIA priorities is set out below.

- Embedding the Children, Young People and Families transformation phase 2 (including SEND)
- Rural Review and Reorganisation (including countryside estates and rights of way)
- Strategic Review of the Care Market

3.4. The rationale for not continuing to include and monitor the 'Community Offer for Learning Disabilities' is set out in the detailed progress update at Appendix A.

3.5. For the CIA priorities above that remain relevant, each will have full and detailed individual service CIA, as part of the Council's CIA process. Where a CIA has already been undertaken, regular updates and monitoring will continue to be recorded to ensure they remain up to date and relevant.

3.6. As part of refreshing the MTFS CIA for 2024/25, several cumulative impacts for key groups were identified as set out below:

- **Disability / Older People** – The key savings proposals in the MTFS that result in changes for older people and people with disabilities are across health and social care, as well as families and communities. These include changes through the 'Strategic Review of the Care Market', and the 'embedding of the Children, Young People and Families transformation' (which includes SEND). There are also opportunities to maximise existing strengths and assets, for example, accessibility improvement to countryside sites along with a Healthy Parks Programme, as part of the vision for the Countryside Estate, to encourage good health and wellbeing and benefit all local residents.
- **Children and Young People/Families** – The 'embedding of the Children, Young People and Families transformation programme' continues to change how services are delivered and received, with potential impacts upon several different cohorts, particularly children and young people, their families, and carers (and children and young people with disabilities, as noted above). As work continues across the four main programmes of work within Children & Families (Children in Care, Children's Workforce, SEND Improvement and Embedding the Children & Families System) the continued monitoring and mitigation of any impacts will be vital. It is also acknowledged that this will focus on ensuring a whole system approach for children and families, with changes expected to be positive for these communities.

- **Localities** – Integral to a number of the proposed savings options identified in the refreshed MTFS and associated CIA is working with local communities. They remain at the heart of what makes Staffordshire a strong and thriving county. This includes continued close working with our partners in District, Borough, and Parish Councils, as well as with the VCSE sector and Providers, for example developing a new Communities Strategy for Staffordshire, as well as building on the first year of the new VCSE Capacity Building Framework.

3.7. In addition to the cumulative impact considerations, above, a number of other key themes have emerged that are likely to impact on residents and communities. The pandemic and pressures from the increasing cost of living, means the Council is having to adapt to these challenges. At the same time, with less money available and more people needing support. As such, the Council and partners are having to do things differently. In response to this, the Council is updating its approach to how we work with communities, through the development of a Staffordshire Communities Strategy, underpinned by a countywide engagement exercise. Equally, we know that residents across the county remain worried about the increased cost of living, therefore whilst not specific to the above CIA priorities, it is important to consider the impact of this on the daily lives of residents, particularly for our most vulnerable residents.

3.8. Similar to discussions that have taken place this year, and reflecting the national position, workforce capacity and recruitment challenges have been identified as requiring ongoing consideration during 2024/25, with a range of activity already underway as noted in section 2.

3.9. Close work with our multi-agency partners across the public sector needs to continue, along with developing new ways of working where required. This includes providing much needed support and signposting for residents to help people facing cost of living pressures, as well as prioritising support to those most vulnerable residents. A key part of this is the 'Here to Help' campaign which is currently underway, including the County Council website which collates advice, guidance, and support into a single place, as well as ensuring that any associated programmes and funding are well communicated to residents, businesses and the VCSE sector, to maximise the support available.

4 Next Steps

4.1 The MTFS CIA governance process will ensure an ongoing dialogue and analysis with partners on the implementation of these CIA priorities, to ensure any potential impacts on communities are mitigated where possible.

4.2 The work of the MTFS CIA Task and Finish Group will also continue to bring together CIA service leads for the work listed above to share progress, discuss emerging cumulative impacts, develop cross-cutting mitigations and act as a mechanism for the ongoing monitoring and review of these at a corporate level.

4.3 This will accompany individual service CIAs in line with our corporate CIA policy. The individual CIAs will consider in greater depth the specific impacts for each of these workstreams on our communities, and how we can work with communities, the VCSE sector, local partners, and members to mitigate any potentially negative impacts.

4.4 The MTFS CIA Task and Finish Group membership will be refreshed and continue to convene to monitor progress and discuss cross-cutting impacts.

Appendix A - Current MTFS CIA Priorities - 2023/24 - Progress Update

MTFS Proposal	CIA Implementation Update	Community Impact & Mitigations
Embedding the Children, Young People and Families Transformation Programme	• A full CIA was produced alongside Cabinet report Nov 2020, updated in Feb 2021 ahead of consultation. • Changes expected to be positive any risks of programme to be monitored and mitigations in place to reduce potential negative impacts. • Will run until 2025/26.	• The long-term **Children, Young People and Families Transformation** programme is now complete and being embedded into a new way of working which will ensure a whole system approach for children and families and provide a financially sustainable model that ensures children with social care needs remain or return to their family (or extended family network) where it is safe and appropriate to do so, and children with SEND receive the right support at the right time. • Progress on the second phase was initially paused due to Covid-19, however the programme restarted and a 75-day consultation was completed in June 2021, and the new district model went live in October 2021. The new structure is now complete and the workforce are in place; training and development is underway and communication and engagement to inform and reassure the workforce and partners is ongoing. Work continues on the pathways and processes and a transition plan continues to be implemented to ensure the safe handover of the programme and ongoing monitoring to the business. • The SEND element of the transformation has been considered a priority and therefore continued throughout the pandemic. A SEND Strategy is now in place and a partnership implementation plan is currently being agreed. Phasing of further transformation is currently being planned. SEND has been part of the workforce reorganisation and the SEND offer will now be part of the integrated early help and family support teams within the district. • Pressures are being experienced relating to increased costs and number/complexity of Child Protection and Children in Care, these are being flexibly responded to by establishing several new programmes of work overseen by a Programme Board focused on workforce, ways of working, development of a communication strategy and Children in Care planning • Overall, changes are expected to be positive for communities, with any risks continuing to be monitored and reviewed as part of the existing MTFS CIA in place.

MTFS Proposal	CIA Implementation Update	Community Impact & Mitigations
		• It is recommended that this remains a MTFS CIA priority to ensure the ongoing review of impacts.
Community Offer for Learning Disabilities	• Work was agreed by Cabinet in October 2019; however, Covid-19 had an impact upon commencement and completion of some service changes. • Further update report and CIA was approved by Cabinet in November 2020. • Further work has been undertaken including feasibility studies and options appraisals which were approved by cabinet in October 2021 and December 2022. • Subsequent CIAs will be undertaken alongside service reviews, as necessary.	• **Community Offer for Learning Disabilities** involved changes to the way we provide services to some adults with learning disabilities and/or autism, who are in receipt of services across the county. The purpose of these changes was to ensure there are appropriate and sustainable services across the county to meet complex support needs. • Changes included reviewing and refreshing respite care, residential care, and day services. Provider Services have created an integrated model of care which encompasses community-based support in addition to building-based services. • Progress since August 2020 includes: o The tender of Greenfield House was undertaken in October 2021 but was unsuccessful – the decision was made to keep Greenfield House in-house for the medium-term and for a limited refurbishment to improve quality. Building and infection prevention improvements were made using Contain Outbreak Management Fund (COMF) funding in 2023. A review of learning disability residential care will be taking place with Commissioners in 2024. o Horninglow Bungalows was considered to be included in the countywide procurement of Supported Living, however the decision was taken by steering group for this not to be the case. The service will remain in-house for foreseeable future. There are no changes planned for this service. o A service review of day opportunities and respite has resulted in the design of an integrated service. A pilot was completed to deliver supported holidays, short-term replacement care, and home-based respite. o Two day-services in Boney Hay and Tamworth have merged and operating from a new building in Lichfield called The Rivers. o Recommendations to improve and refurbish the Hawthorn House building for up to 15 residents was approved by Cabinet in December 2022. Project planning

<table>
<tr><th>MTFS Proposal</th><th>CIA Implementation Update</th><th>Community Impact & Mitigations</th></tr>
<tr><td></td><td></td><td>has commenced, with construction due to start in Spring 2024 and the new building to be complete by October 2026.
An options appraisal for day services in Cannock was completed and it was deemed the service would close. Alternative provision has been sourced for the three customers and the service will close by the end of 2023.
Staff and family consultation on a proposal to relocate Newcastle day service to a refurbished local building was completed and it is anticipated the refurbishment is due to start Spring 2024.
It is recommended that this no longer remains a MTFS CIA priority and that any impacts are monitored and mitigated through existing CIAs.</td></tr>
<tr><td>Rural review and reorganisation</td><td>Initially presented to Cabinet, with a full CIA in March 2019.
Review of wider staffing structures commenced in January 2020, then placed on hold due to Covid-19. In early 2021 the staffing reorganisation was reviewed following consultation with staff/trade unions feedback and learning from Covid-19 and MTFS position revised. A further CIA was undertaken in 2021.
A further report and CIA on a new vision for the Countryside Estate considered by Cabinet in December 2022.</td><td>The biggest impact of the Rural Review and Reorganisation will be on the rural communities where the Country Parks are situated. However, sites will still be available for public use and will remain under the ownership of the County Council. Management of two sites was transferred in 2018/19 to an environmental NGO and a parish council and is working well. Due to COVID 19 impacts and wider changes, the approach to future management of countryside sites was reviewed.
Staff are also impacted by the review and reorganisation. An initial review of the staff structure commenced in 2020 but was put on hold due to COVID-19 and recommenced in 2021. The staff reorganisation is now complete and the new structure is being embedded. The new operational model for Environment and Countryside has now been implemented.
A new vision for the Countryside Estate to keep in-house and link to the Council's strategic aims was agreed by Cabinet in December 2022. The proposals represent a generally positive impact since they seek to enhance the ability for all members of the community to gain the benefits of access to natural greenspace and to protect and enhance the environment.</td></tr>
</table>

MTFS Proposal	CIA Implementation Update	Community Impact & Mitigations
		• To implement these improvements however, there is a need to recover costs through extending pay and display parking to additional sites alongside a range of other funding mechanisms. Recognising current cost of living pressures for many service users, a range of measures have been identified to reduce impacts, including: o Charges at new sites will be phased in, with an initial voluntary period o Charges at existing sites will remain at the current rate until April 2024 – charges compare favourably with other countryside locations in the area o An annual permit will be available for use at all SCC countryside sites which significantly reduces the costs for regular users. • Annual permits for those who regularly volunteer at the sites and members of the supporter scheme are also being explored. • It is important to note that the costs recovered through parking charges will enable better management of the car park facilities and investment in the management of the sites, including making them more accessible for all abilities, caring for wildlife and heritage and improving the visitor experience. • It is recommended this remains a MTFS CIA priority and revisited following implementation of the new Vision for the Countryside Estate.
Strategic Review of the Care Market	• Cabinet papers on the Strategic Review of the Care Home Market, with accompanying CIA, were approved by Cabinet in September 2021 and December 2022 • The DHSC approved the Council's Market Sustainability Plan and Cost of Care plan in June 2023 resulting in an award of funds from the	• The **Strategic Review of the Care Market** will ensure the County Council can continue to meet its statutory duty to meet the needs of people who are assessed as eligible for care and support under the Care Act 2014. • Covid-19 has had a profound impact upon the home care market and accommodation based-market. • To ensure access to good quality and affordable care home placements when they are needed, work includes:

MTFS Proposal	CIA Implementation Update	Community Impact & Mitigations
	Market Sustainability Improvement Fund • Subsequent CIAs will be undertaken alongside service reviews	o Increasing the number of block booked care home beds in accordance with demand, ensuring providers have a level of financial stability, currently 107 beds have been secured. o A Cost of Care and Market Sustainability Plan was submitted to the Department of Health and Social Care (DHSC) in October 2022 setting out how we will establish a Staffordshire Fair cost of care rate for older people's care with providers, this was approved and funds from the Market Sustainability Improvement Fund secured enabling the Council to increase rates paid to care providers. o A Review of Older People's Nursing Home Capacity and Demand was approved by Cabinet in December 2022 to consider current issues affecting demand and available capacity of nursing care home provision. Cabinet agreed to proceed with the development of two new-build nursing homes subject to final approval of care model and cost, and cost and development model and cost. • The recommissioning of Care Homes project will include a revised standard contract which will clearly state the Council's ambitions for increasing the quality of care, and consideration of a pricing strategy, to address the wide range in prices charged by care homes for the provision of care across Staffordshire. It is recommended this remains a MTFS CIA priority and revisited following implementation of the service reviews.

Appendix B – MTFS Community Impact Assessment for 2024/25

The table below is an assessment of **potential medium and high community impact** for each key Council business area, with a summary of the service option as proposed in the MTFS, and an associated impact rating. As many of these are in still in development and subject to consultation or engagement, the outcome and potential impact for communities may not yet be known. We will therefore continue to record and monitor the cumulative impact of these, and where there is significant change proposed ensure individual service CIAs are conducted, reviewed as appropriate.

Area	Programme	Group/Protected characteristics potentially affected	Overall Potential impact rating	Commentary / rationale
Health and Care		Age (older people) Disabilities (particularly learning disabilities and mental health) Staff	Medium	**Strategic Review of the Care Market** A Strategic Review of the Care Market is being undertaken to ensure the County Council can continue to meet its statutory duty to meet the needs of people who are assessed as eligible for care and support under the Care Act 2014. Covid-19 has had a profound impact upon both the home care market and the accommodation-based market. The review therefore includes: • Expanding use of block booking of care home beds • Commissioning of care home placements • Shaping of the care market • Investing non-recurring funding in the sector to improve recruitment and retention • Exploring how technology can be used to support people • Working across the Council to develop a workforce strategy for people who work in the care sector

Area	Programme	Group/Protected characteristics potentially affected	Overall Potential impact rating	Commentary / rationale
				A full CIA is in place and individual CIAs will be undertaken as part of any service review or change, with ongoing monitoring of impact and mitigations.
Families and Communities	Children's services	Age (young people) Disability (SEND) Carers Sex (female) Pregnancy Staff	Medium	The long-term **Children, Young People and Families Transformation** programme is now complete and being embedded into a new way of working which will ensure a whole system approach for children and families and provide a financially sustainable model that ensures children with social care needs remain or return to their family (or extended family network) where it is safe and appropriate to do so, and children with SEND receive the right support at the right time. The programme will change how services are delivered and received; and will impact upon several different cohorts, particularly children and young people, their families and carers, and children and young people with disabilities. These changes are expected to be positive for communities, to ensure the ongoing monitoring and review of any potential impacts and mitigations, this will remain an MTFS CIA priority for 2024/25. The existing CIA remains in place and has been updated with further updates as appropriate in line with any service change.
Economy, Infrastructure and Skills	Rural	All Localities	Medium	The **Review of Countryside Estates & Rights of Way** faced delays due to Covid-19 impacts and the approach to future management of countryside estates was reviewed. Following the review, a new vision was developed and agreed by Cabinet in December 2022. The Rural Review and Reorganisation was also impacted by Covid-19 with a review of the staff structure taking place which is now being embedded. Updates to the Community Impact Assessment continue to be undertaken.

Appendix 2a

HEALTH AND CARE

Projected Pressures, Cost Reduction Options and Investments

Description	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Care Commissioning — **Community Impact Assessment Rating - Medium**					
Total Service Spending Pressures Approved in February 2023	**16.873**	**32.677**	**34.169**	**39.892**	**52.319**
Projected Changes to Original Service Spending Pressures					
Older people rising impact of an ageing population requiring additional homecare	1.124	1.268	1.435	1.625	1.839
Learning disabilities rising impact because of increases in the complexity of people's care needs and the requirement to meet these needs for longer as life expectancies rise as well as increasing costs of younger adults who need our care and support	1.750	2.900	4.050	5.200	6.350
Mental health rising impact because of increases in the complexity of people's care needs and the requirement to meet these needs for longer as life expectancies rise as well as increasing costs of younger adults who need our care and support	0.500	0.500	0.500	0.500	0.500
Increased inflationary pressures on home care	1.237	2.971	4.290	5.021	5.736
Additional income generated by growth in demand and price rises.	(4.851)	(11.708)	(8.504)	(9.534)	(10.745)
2022/23 onwards impact of rising cost of new older people residential and nursing placements	0.000	0.000	0.000	0.000	1.000
Increased inflationary pressures on Supported Living	1.255	1.514	1.797	2.105	2.442
Additional BCF funding from inflationary uplift to CCG cash transfer in 2021/22 onwards	0.000	(0.500)	(0.500)	(0.500)	(0.500)
Total Projected Changes to Service Spending Pressures Approved in February 2023	**1.015**	**(3.055)**	**3.068**	**4.417**	**6.622**
New Service Projected Pressures					
MSIF Workforce Fund - expenditure	3.025	3.025	3.025	3.025	3.025
New Service Projected Pressures Total	**3.025**	**3.025**	**3.025**	**3.025**	**3.025**
Total Service Cost Reductions Approved in February 2023	**3.972**	**7.954**	**9.954**	**9.954**	**9.954**
Total Pressures	20.913	32.647	40.262	47.334	61.966
Total Cost Reductions	3.972	7.954	9.954	9.954	9.954
Service Total	**24.885**	**40.601**	**50.216**	**57.288**	**71.920**
Adult Social Care and Safeguarding — **Community Impact Assessment Rating - Medium**					
Total Service Spending Pressures Approved in February 2023	**0.850**	**0.850**	**0.850**	**0.850**	**0.850**
Projected Changes to Original Service Spending Pressures					
MPFT meeting costs of NHS pay award	0.200	0.200	0.200	0.200	0.200
Total Projected Changes to Service Spending Pressures Approved in February 2023	**0.200**	**0.200**	**0.200**	**0.200**	**0.200**
Total Pressures	1.050	1.050	1.050	1.050	1.050
Service Total	**1.050**	**1.050**	**1.050**	**1.050**	**1.050**

KEY: 1.000 = £1m of pressure or loss of income
(1.000) = £1m cost reduction or additional income

HEALTH AND CARE

Projected Pressures, Cost Reduction Options and Investments

Description	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Total Health & Care Pressures and Cost Reductions	**25.935**	**41.651**	**51.266**	**58.338**	**72.970**
Inflation	**3.171**	**5.064**	**6.785**	**8.544**	**10.343**
Health & Care Grand Total	**29.106**	**46.715**	**58.051**	**66.882**	**83.313**

FAMILIES AND COMMUNITIES

Projected Pressures, Cost Reduction Options and Investments

Description	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Children's Services — **Community Impact Assessment Rating - Medium**					
Total Service Spending Pressures Approved in February 2023	**0.800**	**0.729**	**(0.957)**	**(3.055)**	**(3.055)**
Projected Changes to Original Service Spending Pressures					
Planned reduction in Children in Care placement costs as result of transformation reprofiled in line with latest estimates and costs.	8.700	7.600	6.100	5.000	2.400
Reprofile of staffing pressures	0.000	0.000	0.044	0.071	0.071
Total Projected Changes to Service Spending Pressures Approved in February 2023	**8.700**	**7.600**	**6.144**	**5.071**	**2.471**
Total Service Cost Reductions Approved in February 2023	**(3.624)**	**(5.859)**	**(5.859)**	**(5.859)**	**(5.859)**
Investment					
Implementation of a Restorative Practice model working with children and their families to encourage more effective working relationships	(0.015)	(0.015)	(0.015)	(0.015)	(0.015)
Total Investments Approved in February 2023	**(0.015)**	**(0.015)**	**(0.015)**	**(0.015)**	**(0.015)**
Total Pressures	9.500	8.329	5.187	2.016	(0.584)
Total Cost Reductions	(3.624)	(5.859)	(5.859)	(5.859)	(5.859)
Total Investments	(0.015)	(0.015)	(0.015)	(0.015)	(0.015)
Service Total	**5.861**	**2.455**	**(0.687)**	**(3.858)**	**(6.458)**
Education Services — **Community Impact Assessment Rating - Low**					
Total Service Spending Pressures Approved in February 2022	**1.350**	**0.740**	**0.250**	**1.210**	**1.210**
Projected Changes to Original Service Spending Pressures					
Change in costs of home to school SEN transport relating to number of school days in a financial year.	0.300	0.090	(0.030)	0.300	(1.390)
Total Projected Changes to Service Spending Pressures Approved in February 2022	**0.300**	**0.090**	**(0.030)**	**0.300**	**(1.390)**
New Service Projected Pressures					
Additional demand in SEND Transport	1.500	3.100	5.000	7.300	9.500
Underlying budget gap in SEND Transport	2.800	2.800	2.800	2.800	2.800
New Service Projected Pressures Total	**4.300**	**5.900**	**7.800**	**10.100**	**12.300**
Total Service Cost Reductions Approved in February 2022	**(0.265)**	**(0.265)**	**(0.265)**	**(0.265)**	**(0.265)**

Appendix 2b

FAMILIES AND COMMUNITIES

Projected Pressures, Cost Reduction Options and Investments

Description	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
New Service Cost Reduction Options					
Deficit reduction plan - agreed actions (increasing proportion of SEND children educated within their local community)	0.000	(0.600)	(1.400)	(2.500)	(3.200)
Transport policy review (e.g. occupancy, personal travel budgets etc.)	(1.500)	(2.500)	(3.600)	(4.800)	(6.300)
New Service Cost Reduction Options Total	**(1.500)**	**(3.100)**	**(5.000)**	**(7.300)**	**(9.500)**
Total Pressures	5.950	6.730	8.020	11.610	12.120
Total Cost Reductions	(1.765)	(3.365)	(5.265)	(7.565)	(9.765)
Service Total	**4.185**	**3.365**	**2.755**	**4.045**	**2.355**
Total Families and Childrens Pressures and Cost Reductions	**10.046**	**5.820**	**2.068**	**0.187**	**(4.103)**
Inflation	**10.607**	**20.363**	**26.506**	**31.923**	**37.214**
Families and Children Grand Total	**20.653**	**26.183**	**28.574**	**32.110**	**33.111**

ECONOMY, INFRASTRUCTURE AND SKILLS

Projected Pressures, Cost Reduction Options and Investments

Description	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Infrastructure & Highways	**Community Impact Assessment Rating - High**				
Total Service Spending Pressures Approved in February 2023	**(2.000)**	**(3.400)**	**(4.200)**	**(4.150)**	**(3.800)**
New Service Projected Pressures					
Implementation of the Tree Management Strategy	0.250	0.250	0.250	0.250	0.250
Streetlighting PFI - loss of grant net of Phase 2	0.000	0.000	0.000	0.000	0.500
New Service Projected Pressures Total	**0.250**	**0.250**	**0.250**	**0.250**	**0.750**
Total Pressures	(1.750)	(3.150)	(3.950)	(3.900)	(3.050)
Service Total	**(1.750)**	**(3.150)**	**(3.950)**	**(3.900)**	**(3.050)**
Transport, Connectivity & Waste	**Community Impact Assessment Rating - High**				
Total Service Spending Pressures Approved in February 2023	**0.358**	**2.460**	**2.660**	**3.290**	**3.370**
Projected Changes to Original Service Spending Pressures					
Review of discretionary travel policy for school-age pupils ***Come from F&C***	0.265	0.265	0.265	0.265	0.265
Change in costs of home to school mainstream transport relating to number of school days in a financial year.	0.100	0.030	(0.010)	0.100	(0.420)
Mainstream Transport - school capacity issue	0.060	0.090	0.120	0.130	0.100
Future treatment costs	0.000	0.000	(1.000)	(1.000)	(1.000)
Total Projected Changes to Service Spending Pressures Approved in February 2023	**0.425**	**0.385**	**(0.625)**	**(0.505)**	**(1.055)**
New Service Projected Pressures					
Remove current charging system for non-household waste	0.300	0.300	0.300	0.300	0.300
New Service Projected Pressures Total	**0.300**	**0.300**	**0.300**	**0.300**	**0.300**
Total Service Cost Reductions Approved in February 2023	**0.000**	**0.565**	**0.565**	**0.565**	**0.565**
Total Pressures	1.083	3.145	2.335	3.085	2.615
Total Cost Reductions	0.000	0.565	0.565	0.565	0.565
Service Total	**1.083**	**3.710**	**2.900**	**3.650**	**3.180**
Culture, Rural and Communities	**Community Impact Assessment Rating - Medium**				
Total Service Spending Pressures Approved in February 2023	**0.000**	**0.000**	**(0.033)**	**(0.033)**	**(0.033)**

ECONOMY, INFRASTRUCTURE AND SKILLS

Projected Pressures, Cost Reduction Options and Investments

Description	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
New Service Projected Pressures					
Implementation of the Tree Management Strategy	0.750	0.750	0.750	0.750	0.750
New Service Projected Pressures Total	**0.750**	**0.750**	**0.750**	**0.750**	**0.750**
Total Pressures	0.750	0.750	0.717	0.717	0.717
Service Total	**0.750**	**0.750**	**0.717**	**0.717**	**0.717**
Total Economy, Infrastructure and Skills Pressures and Cost Reductions	**0.083**	**1.310**	**(0.333)**	**0.467**	**0.847**
Inflation	**6.331**	**9.292**	**12.055**	**14.878**	**17.762**
Economy, Infrastructure and Skills Grand Total	**6.414**	**10.602**	**11.722**	**15.345**	**18.609**

Appendix 2d

CORPORATE SERVICES

Projected Pressures, Cost Reduction Options and Investments

Description	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Assets					
Total Service Cost Reductions Approved in February 2023	**0.150**	**0.150**	**0.150**	**0.150**	**0.150**
Total Cost Reductions	0.150	0.150	0.150	0.150	0.150
Service Total	**0.150**	**0.150**	**0.150**	**0.150**	**0.150**
Governance					
Total Service Pressures Approved in February 2023	**(0.019)**	**(0.019)**	**(0.019)**	**(0.019)**	**(0.019)**
Total Pressures	(0.019)	(0.019)	(0.019)	(0.019)	(0.019)
Service Total	**(0.019)**	**(0.019)**	**(0.019)**	**(0.019)**	**(0.019)**
Strategy	**Community Impact Assessment Rating - Low**				
Total Service Pressures Approved in February 2023	**0.000**	**0.500**	**0.500**	**0.500**	**0.500**
Total Pressures	0.000	0.500	0.500	0.500	0.500
Service Total	**0.000**	**0.500**	**0.500**	**0.500**	**0.500**
Total Corporate Services Pressures and Cost Reductions	**0.131**	**0.631**	**0.631**	**0.631**	**0.631**
Inflation	**1.697**	**3.183**	**4.401**	**5.649**	**6.928**
Corporate Services Grand Total	**1.828**	**3.814**	**5.032**	**6.280**	**7.559**

Finance
Projected Pressures, Cost Reduction Options and Investments

Description	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Financial Management	**Community Impact Assessment Rating - Low**				
Total Service Spending Pressures Approved in February 2023	**0.032**	**0.032**	**0.032**	**0.032**	**0.032**
Total Pressures	0.032	0.032	0.032	0.032	0.032
Service Total	**0.032**	**0.032**	**0.032**	**0.032**	**0.032**
Finance Pressures and Cost Reductions	**0.032**	**0.032**	**0.032**	**0.032**	**0.032**
Inflation	**0.499**	**0.917**	**1.256**	**1.602**	**1.957**
Finance Grand Total	**0.531**	**0.949**	**1.288**	**1.634**	**1.989**

Appendix 3

Summary of Pressures, Inflation, Savings and Investments

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Health and Care					
Pressures	21.963	33.697	41.312	48.384	63.016
Inflation	3.171	5.064	6.785	8.544	10.343
Savings	3.972	7.954	9.954	9.954	9.954
Investments	-	-	-	-	-
Health and Care Total	29.106	46.715	58.051	66.882	83.313
Children and Families					
Pressures	15.450	15.059	13.207	13.626	11.536
Inflation	10.607	20.363	26.506	31.923	37.214
Savings	(5.389)	(9.224)	(11.124)	(13.424)	(15.624)
Investments	(0.015)	(0.015)	(0.015)	(0.015)	(0.015)
Children and Families Total	20.653	26.183	28.574	32.110	33.111
Economy, Infrastructure and Skills					
Pressures	0.083	0.745	(0.898)	(0.098)	0.282
Inflation	6.331	9.292	12.055	14.878	17.762
Savings	-	0.565	0.565	0.565	0.565
Investments	-	-	-	-	-
Economy, Infrastructure and Skills Total	6.414	10.602	11.722	15.345	18.609
Corporate Services					
Pressures	(0.019)	0.481	0.481	0.481	0.481
Inflation	1.697	3.183	4.401	5.649	6.928
Savings	0.150	0.150	0.150	0.150	0.150
Investments	-	-	-	-	-
Corporate Services Total	1.828	3.814	5.032	6.280	7.559
Finance					
Pressures	0.032	0.032	0.032	0.032	0.032
Inflation	0.499	0.917	1.256	1.602	1.957
Savings	-	-	-	-	-
Investments	-	-	-	-	-
Finance Total	0.531	0.949	1.288	1.634	1.989
Grand Total	**58.532**	**88.263**	**104.667**	**122.251**	**144.581**

All figures presented in each year represent a cumulative change from the current 2023/24 budget.

Appendix 4

Major Assumptions Used in MTFS
Year-on-Year Increases

	2024/25	2025/26	2026/27	2027/28	2028/29
Staffing costs					
Pay	3.0%	2.5%	2.5%	2.5%	2.5%
Local Government Pension Scheme increases	1.0%	1.0%	-	-	-
General running costs					
Prices (including internal recharges from trading services)	2.0%	2.0%	2.0%	2.0%	2.0%
Contractual inflation	6.93%	3.98%	2.51%	2.11%	1.99%
Income (standard allocation)	2.0%	2.0%	2.0%	2.0%	2.0%
Utility / Running Expenses					
Electricity	£-1.3m	-	-	-	-
Gas	£-1.0m	£-0.5m	£-0.4m	-	-
Business Rates bills	3.1%	3.1%	3.1%	3.1%	3.1%
Water	2.0%	2.0%	2.0%	2.0%	2.0%
Petrol	2.0%	2.0%	2.0%	2.0%	2.0%
Diesel	2.0%	2.0%	2.0%	2.0%	2.0%
In-Year Increases					
Interest Rates					
Interest on investments	4.50%	3.06%	2.50%	2.50%	2.50%
Interest on debt	4.85%	4.39%	4.41%	4.48%	4.48%
General Funding					
Revenue Support Grant	£13.3m	£13.3m	£13.3m	£13.3m	£13.3m
Council Tax	2.99%	1.99%	1.99%	1.99%	1.99%
Social Care Precept	2.00%	1.00%	1.00%	1.00%	1.00%

Appendix 5

Council Taxbase, Collection funds and Precepts

Tax Base (Band D equivalents)

	2023/24	2024/25
Cannock Chase	29,851.05	30,014.76
East Staffordshire	40,060.00	40,935.00
Lichfield	40,534.40	41,115.80
Newcastle	38,099.00	38,738.00
South Staffordshire	39,608.56	39,914.04
Stafford	48,863.55	49,302.73
Staffordshire Moorlands	33,374.00	33,737.00
Tamworth	23,376.00	23,479.00
Totals	**293,766.56**	**297,236.33**

Estimated Council Tax Collection Fund Surplus / (Deficit)

	2023/24 £	2024/25 £
Cannock Chase	(814,397)	(210,094)
East Staffordshire	1,297,271	365,239
Lichfield	366,738	605,000
Newcastle	237,221	41,309
South Staffordshire	1,234,927	969,427
Stafford	1,923,972	(112,039)
Staffordshire Moorlands	657,998	(65,710)
Tamworth	440,463	202,280
Totals	**5,344,193**	**1,795,413**

Key: Surplus / (Deficit)

Precepts

	2023/24 £	2024/25 £
Cannock Chase	43,917,760	46,361,999
East Staffordshire	58,937,474	63,229,838
Lichfield	59,635,425	63,509,105
Newcastle	56,052,392	59,836,264
South Staffordshire	58,273,302	61,652,822
Stafford	71,889,521	76,154,969
Staffordshire Moorlands	49,100,830	52,111,520
Tamworth	34,391,472	36,266,603
Totals	**432,198,176**	**459,123,120**

Review of Earmarked Reserves / Provisions

Appendix 6

Reserve Name	Reason for Reserve	Forecast Balance 31st March 2024 £m	Transfer into General Balances £m	Forecast Balance after Transfer £m
Information Technology	To provide finance to cover advance expenditure for information technology projects this will be repaid over future years. The reserve is currently committed for a range of future IT projects including education projects and the broadband network. The reserve is considered appropriate for its purpose.	7.433	0.000	7.433
PFI Reserves	These reserves are required to ensure sufficient resources are available to meet the county council's obligations over the whole life of PFI contracts and to even out the charge to revenue over the period. The balance on the street lighting PFI contract is reviewed at the end of each financial year and at other strategic points. At this stage in the contract it is considered appropriate to maintain the balance of the reserve at its current level.	2.999	0.000	2.999
Trading Services	The trading services reserves are earmarked sums set aside for trading services activity. The balance mainly represents vehicle replacement programmes managed by County Fleet Care but also includes balances that the trading service will draw down on in years when the service creates a deficit.	2.157	0.000	2.157
Conservation and Archaeology	To meet the county's obligation towards the Extensive Urban Survey scheme, which is being run in partnership with English Heritage.	0.028	0.000	0.028
Elections	To meet the cost of the next County Council elections.	1.208	0.000	1.208
Insurance Reserves	To ensure that sufficient resources are available to meet outstanding liabilities in respect of the self funding element of material damage claims. Also to ensure sufficient funds are available to meet schools' claims. These reserves are deemed sufficient.	1.961	0.000	1.961
Exit and Transition Fund	To smooth the impact of redundancies over a five year period and to fund any one-off costs caused by delays to savings agreed as part of the 2019/20 MTFS. It is not possible to forecast demand for contributions from this reserve therefore the current level is sufficient.	(2.943)	0.000	(2.943)

Review of Earmarked Reserves / Provisions

Appendix 6

Reserve Name	Reason for Reserve	Forecast Balance 31st March 2024 £m	Transfer into General Balances £m	Forecast Balance after Transfer £m
Inflation Reserve	To support services with the significant increases in costs due to rising inflation. Utilised during 22/23 and may still be required during 2023/24.	8.994	2.030	6.964
General Taxation Reserve	Amounts held against the risk of reductions in government grant funding and reductions in income from business rates, reflects government arrangements which allow for the spreading of funding over a number of years. Required for the risk of funding reductions in the forthcoming Spending Review for 2025/26 onwards.	69.848	0.755	69.093
Revenue Carry Forward Earmarked Reserves	To hold revenue grants which remain unspent at year end and do not have any conditions attached, including sums set aside against the risk of care market pressures. As the grants are unconditional these funds could be available to support the MTFS.	80.014	0.000	80.014

Total Earmarked Reserves	**171.699**	**2.785**	**168.914**

Risk Based Review of General Balances

CIPFA guidance indicates that a well-managed authority with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves and that Chief Financial Officers should take account of the strategic, operational and financial risks facing the authority.

A risk assessment has been undertaken to identify the key financial risks for next year which can be used as a basis for determining the minimum level of general balances for the county council. Details of this assessment are provided below. Whilst not a complete list of all the financial risks faced by the council, the assessment focuses on those most likely (High and Medium risks) to have a significant impact on the budget.

2022/23 Provision £m	Area of Expenditure	Level of Risk	Explanation of risk/justification of balances
Treatment of inflation and interest rates			
5.0	**Inflation**	High	Services could experience risks in contract prices over and above the general inflation allocation allocated in the MTFS. The mix of price increases could vary across sectors, which could result in a particular strain on resources in some areas.
1.0	**Recruitment and Retention issues**	Medium	Difficulties with recruitment and retention may lead to more reliance on agency workers.
1.0	**Treasury Management**	Low	1% point increase in interest rate on borrowing against capital programme.
1.0	**Investments**	Low	0.5% point drop in interest on balances will reduce the income by £0.5m.
Estimates of the level and timing of capital funding			
3.0	**Capital Receipts / Developer contributions**	Medium	The council anticipates using capital receipts and developer contributions to fund the capital programme, however where these are not received an alternative funding source must be used which could increase borrowing levels.
The treatment of demand led pressures			
10.0	**Adults Social Care**	High	Increasing demand for services.
10.0	**Looked after Children**	High	Continual risk that demand pressures from a potential increase in the number and cost of out of county residential care placements will exceed budget provision.
2.0	**Other areas**	Medium	Risks of overspend in other budget areas.
8.0	**General grant income**	High	There are risks around collection rates for both Council Tax and Business Rates, as well as uncertainty around future government grant levels.
1.50	**VAT**	Low	Risk of exceeding 5% limit for input tax.
The treatment of efficiency savings/productivity gains			
10.0	**Non achievement of efficiency savings/ 'invest to save' costs/ redundancy costs**	Medium	Risk of non-achievement of savings, or delays in delivery or additional unforeseen one off costs to facilitate savings.

Financial risks in any significant new funding partnerships, major outsourcing deals or major capital developments			
4.0	**Partnership risks**	High	Financial risks of various potential significant partnership agreements that the council may enter into over the MTFS period.
The availability of other funds to deal with major contingencies			
2.0	**Disaster recovery**	Medium	Cost of consequential losses for uninsurable risk incidents such as virus attack on ICT infrastructure and ensuring business continuity.
10.0	**Insurance** (Difficult to quantify)	Low	Risk of: uninsured terrorism, gradual pollution liabilities, gap between Aggregate stop and Provision.

Level of Balances – Summary

Level of Risk	£m
High and Medium Risks	**55.0**

Appendix 8

SCC Capital Programme

2024/25 to 2028/29 Forecast Capital Programme

Service	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Economy, Infrastructure & Skills					
Highways Schemes	83,469	31,243	27,959	27,959	27,959
Economic Planning & Future Prosperity	5,503	2,053	482	450	450
Connectivity					
Skills	596				
Tourism & Cultural County	3,922	1,240	1,000	1,000	1,000
Rural County	951	3,140	7,063	7,064	1,064
Waste & Sustainability	4,433	300	300	300	
	98,874	**37,976**	**36,804**	**36,773**	**30,473**
Families and Communities					
Maintained Schools	54,638	13,286	6,188	6,188	6,188
Basic Need Works	*32,680*	*9,098*	*2,000*	*2,000*	*2,000*
Maintenance and Replacement					
Special Programmes	*21,958*	*4,188*	*4,188*	*4,188*	*4,188*
Carbon Reduction Initiatives					
Academy Conversion Residual					
Other Non-schools					
Vulnerable Childrens Projects					
	54,638	**13,286**	**6,188**	**6,188**	**6,188**
Health and Care					
Care & Independence	9,386	15,325	124		
	9,386	**15,325**	**124**		
Corporate Services					
Finance, Resources & ICT	300				
Strategic Property	4,435	2,305	2,305	2,305	2,305
Trading Services - County Fleet Care	660	1,200	1,675	660	660
	5,395	**3,505**	**3,980**	**2,965**	**2,965**
Sub Total Capital Programme	**168,292**	**70,092**	**47,096**	**45,926**	**39,626**
Capital Programme	**168,292**	**70,092**	**47,096**	**45,926**	**39,626**

Appendix 9a

Capital Strategy 2024/25 and Minimum Revenue Provision Policy 2024/25

Recommendation of the Cabinet Member for Finance

Report of the Director of Finance

Introduction

1. The Prudential Code for Capital Finance in Local Authorities ('the Code') sets a framework to ensure that the capital expenditure plans of local authorities are affordable, prudent, and sustainable.

2. The Code, which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA), has legislative backing. As part of the prudential approach the Code requires authorities to have in place a capital strategy.

3. The capital strategy is vital in forming the foundations of the Council's long-term planning and delivery of its capital investment programme and enabling the organisation to turn its ambitions into reality. It provides a high-level overview of how capital expenditure and capital financing contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

4. Longer-term, the capital strategy enables the council to plan effectively for the future needs and ambitions of the county and to have a pipeline of key investments in place, even where funding has yet to be secured.

5. The strategy will be reviewed annually, updated, and presented to the County Council for approval. It is a key document, informing the authority's integrated revenue and capital financial planning and will be used as a point of reference when reviewing the Council's capital programme.

Capital Expenditure and Financing

6. Capital expenditure is described as *'costs incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing asset'*. It is where the Council spends money on assets that will be used for more than one year, such as the road network, schools, and economic development schemes.

7. In local government, this can also include spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

8. In 2024/25, the Council is planning capital expenditure of £168m, as summarised below.

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2024/25 budget	2025/26 budget	2026/27 budget	2027/28 budget	2028/29 budget
Total	**£168m**	**£70m**	**£47m**	**£46m**	**£40m**

9. The main capital projects include:

- Schools: Delivery of a new 1 FE (Form Entry) Primary School in Tamworth (c£3.4m anticipated spend in 24/25); Design a new 2 FE Primary School in Tamworth (c£1.92m spend in 24/25); and new Sports Hall and Teaching Spaces at Oldfields Hall Middle School (c£2.9m in 23/54). All these developments have been commissioned in response to rising pupil numbers in their respective locations.
- Economic Planning & Future Prosperity: Continuation to completion of Chatterley Valley project which will create an employment site which could generate 1,700 jobs (depending on the nature of the end users), Gross Value-Added Benefits of £67 million per annum and £60 million of private sector investment (c£1.9m in 24/25); Newcastle Enterprise Centre Extension (anticipated spend of c£1.2m in 24/25). The development will create an additional 4,500 Ft^2 of workshop space for letting to small and start-up businesses.
- Communities: Ongoing work to deliver the Stafford History Centre which will include new storage extension of the existing Staffordshire Record Office site on Eastgate Street, a new covered courtyard area, restore and repurpose the Grade 2 listed William Salt Library building and create a public pathway linking North Walls to Eastgate Street. Revised anticipated total budget of c£6.3m, with £2.9m anticipated spend in 24/25 funded by £1.2m SCC borrowing and £1.7m Heritage Lottery grant and a few other smaller grants and contributions.
- Social Care: Extension and refurbishment of Hawthorne House with anticipated total cost of c£5.8m with c£2.6m projected spend in 24/25.
- Waste: The Household Waste Recycling Centre mobilisation 5-year plan is currently programmed to deliver £3.3m of improvements in 24/25. This is to be financed from revenue savings.

- Highways: Currently anticipated spend of c£40.4m on Carriageway Maintenance and c£16.2m on Levelling up Schemes in 24/25 (part of a total Highways programme of £83.469m).

10. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves, and capital receipts) or debt (borrowing, leasing, and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2024/25 budget	**2025/26 budget**	**2026/27 budget**	**2027/28 budget**	**2028/29 budget**
External sources	£116m	£45m	£34m	£34m	£34m
Capital resources	£10m	£1m	£0m	£0m	£0m
Revenue resources	£10m	£5m	£2m	£1m	£1m
Debt	£32m	£19m	£11m	£11m	£5m
Total	**£168m**	**£70m**	**£47m**	**£46m**	**£40m**

11. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Planned MRP is as follows:

Table 3: Replacement of debt finance in £ millions

	2024/25 budget	**2025/26 budget**	**2026/27 budget**	**2027/28 budget**	**2028/29 budget**
Revenue resources	£19.9m	£20.0m	£19.1m	£18.2m	£17.8m

12. The Council's full minimum revenue provision statement is attached at the end of this report.

Capital Financing Requirement

13. The Capital Financing Requirement (CFR) incorporates the impact of previous capital expenditure decisions, the future capital expenditure plans, and the liabilities in respect of PFI schemes and leases.

14. The CFR will increase due to adoption of IFRS 16 Leases. IFRS 16 introduces a single lessee accounting model, requiring a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

15. The liabilities recognised under IFRS 16 represents the amount of capital expenditure related to lease that is still to be financed, forming part of the capital financing requirement.

16. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	2024/25 budget	2025/26 budget	2026/27 budget	2027/28 budget	2028/29 budget
Loans CFR	£579.6m	£579.1m	£571.7m	£564.6m	£551.5m
Other Debt Liabilities CFR	£66.8m	£59.4m	£52.0m	£45.8m	£40.6m
Total CFR	**£646.4m**	**£638.5m**	**£623.7m**	**£610.4m**	**£592.1m**

Asset Disposals

17. When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital loans and investments also generate capital receipts. The Council plans to receive £10.5m of capital receipts in the coming financial year as follows:

Table 5: Capital receipts in £ millions

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget
Asset sales	£2.5m	£15.2m	£10.5m	£5.2m	£0.0m

18. This is subject to re-phasing as sales progress and the figures include earmarked receipts.

19. **Governance**: Capital expenditure programmes are contained within the Medium-Term Financial Strategy (MTFS) and follow the governance arrangements associated with the MTFS.

Prudential Indicators

20. The County Council uses several regulatory Prudential Indicators that govern the performance parameters within which the Treasury Management function is managed.

21. The Prudential Code was revised in 2021 and set out the minimum required Prudential Indicators that should be published.

22. We have a Treasury Management strategy and an Investment strategy which follows this report.

23. **External Debt:** Projected levels of the Council's total external loans.

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	2024/25 budget	2025/26 budget	2026/27 budget	2027/28 budget	2028/29 budget
External loans	£508m	£477m	£446m	£430m	£414m
Loans CFR	£579.6m	£579.1m	£571.7m	£564.6m	£551.5m

24. The local authority should ensure that borrowing does not, except in the short term, exceed the total capital financing requirement.

Authorised Limit

25. The authorised limit represents the absolute maximum debt that the council may have at any one time. Allowance has been afforded to allow for the possibility that the council may wish to take its entire annual borrowing requirement early in the year where this is the most financially prudent course of action.

Operational Boundary

26. This limit represents a measure of the realistic level that the County Council is to borrow including any credit arrangements that are not in the form of borrowing. It is, therefore, based on the estimates of borrowing used for the capital financing budget which represents the most 'likely' circumstances to arise during the year using the current known plans and economic conditions.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2024/25 budget	2025/26 budget	2026/27 budget	2027/28 budget	2028/29 budget
Authorised limit – Borrowing Authorised limit – Other	£625m £77m	£624m £69m	£617m £62m	£610m £56m	£597m £51m
Authorised limit – total	**£702m**	**£693m**	**£679m**	**£666m**	**£648m**
Operational boundary – Borrowing Operational boundary – Other	£487m £77m	£490m £69m	£485m £62m	£478m £56m	£475m £51m
Operational boundary – total	**£564m**	**£559m**	**£547m**	**£534m**	**£526m**

Affordability

27. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable.

Ratio of Financing Costs to Net Revenue Stream

28. This indicator expresses the resultant cost in future years of net capital financing costs, interest, and principal of unsupported debt (both historic and planned), as a proportion of the County Council's total estimated net revenue stream. The net revenue stream is the estimate of the amounts to be met from governments grants and local taxpayers.

Table 8: Prudential Indicator: Proportion of financing costs to net revenue stream

	2024/25 budget	2025/26 budget	2026/27 budget	2027/28 budget	2028/29 budget
Net financing costs (£m)	21.7	28.3*	29.6	29.7	31.3
Proportion of net revenue stream	3.2%	4.1%	4.2%	4.1%	4.1%

**The increase in net financing costs between 2024/25 and 2025/26 is due to the assumed decrease in the base rate over the next few years coupled with the decrease in cash available to invest due to decreasing reserves. The amount of income earned on investments is expected to decrease resulting in higher net financing costs.*

Treasury Management (Corporate Indicators)

29. It is a fundamental requirement of the Prudential Code that an authority has proper treasury procedures in place. This requirement will be met if the authority adopts and implements CIPFA's 'Code of Practice for Treasury Management in the Public Sector'.

30. The Treasury Management strategy and the Investment strategy follow this report.

Conclusion

31. There is a planned capital programme amounting to £168m in 2024/25. If any borrowing is planned, then the costs of repaying it are reflected in the capital financing budget. The Prudential Indicators are included within the Capital and Minimum Revenue Provision Strategy and these show that the planned level of borrowing is affordable.

Minimum Revenue Provision (MRP) Policy Statement

Introduction

Where the County Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends several options for calculating a prudent amount of MRP.

The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

MRP Policy Statement 2024/25

- In respect of historic debt prior to the introduction of the Prudential Code, MRP will be charged at the rate of 4%, in accordance with the recommendations and intent of Option 1 – Regulatory Method of the Guidance.

- Expenditure incurred within the debt liability from 31st March 2010 will, under delegated powers be subject to MRP under Option 3 – Asset Life Method – Equal Instalment Method. MRP will be charged over a period that is reasonably commensurate with the estimated useful life applicable to the nature of expenditure using the equal instalment method.

- For assets acquired by leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

- Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the County Council. However, the County Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

- As some types of capital expenditure incurred by the County Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure.

- Capital expenditure incurred during 2024/25 will not be subject to a MRP charge until 2025/26 or later.

- Where the County Council incurs borrowing to lend funds to a third party MRP is to be provided over the useful life of the asset created.

The County Council may apply capital receipts, grants, and other advances available at the end of a financial year, which it is considered will be used in the following or subsequent financial year to offset what would otherwise be an increase in their debt liability. In anticipation of such use, which will be determined according to the nature of expenditures deemed at the time to be financed for MRP purposes, the County Council considers it prudent that the debt liability assessed for MRP purposes at the end of a financial year will be reduced by applying those capital receipts, grants, and other advances.

Treasury Management Strategy 2024/25

Recommendations of the Cabinet Member for Finance and Corporate Matters

Report of the Director of Finance (S151)

1. That Cabinet approve the 2024/25 Treasury Management Strategy, based on the 2021 CIPFA Codes (Prudential Code and Treasury Management Code), and 2018 MHCLG (now DLUHC) Guidance (on Local Government Investments and on Minimum Revenue Provision).

2. That, in accordance with Regulations, Cabinet recommends to the Council, at its meeting on the 8 February 2024, the adoption of the Annual Investment Strategy (AIS) 2024/25 detailed in **paragraphs 63 to 109, Annex A** and **Annex B** of this report.

3. That Cabinet approve the proposed Borrowing Strategy for 2024/25 laid out in **paragraphs 41 to 62** comprising:

   a) maximising the use of cash in lieu of borrowing, as far as is practicable;
   b) the ability to borrow new long-term loans, where deemed appropriate;
   c) the use of cash to repay loans early, subject to market conditions; and
   d) a loan rescheduling strategy that is unlimited where this re-balances risk.

4. That Cabinet approve policies on:

   a) reviewing the Treasury Management Strategy;
   b) the use of external advisors;
   c) investment management training; and
   d) the use of financial derivatives

   as described in **paragraphs 110 to 120** of this report.

5. All of the above will operate within the prudential limits set out in **Annex C** and will be reported to the Cabinet Member for Finance and Corporate Matters, in respect of decisions made for raising new long-term loans, early loan repayments and loan rescheduling.

Introduction

6. Treasury management comprises the management of the Council’s cash flows, borrowings and investments, and their associated risks. The Council has borrowed and invested large sums of money and is therefore exposed to financial risks, including the effects on revenue from changing interest rates on borrowings and investments, and the risks of a potential loss of invested cash. It is important that the Council successfully identifies, monitors and controls financial risk as part of prudent financial management.

7. The Council conducts its treasury risk management within the framework of the Chartered Institute of Public Finance and Accountancy’s (CIPFA) *Treasury Management in the Public Services Code of Practice 2021 Edition* (the CIPFA Code). The CIPFA Code requires that the Council approves a Treasury Management Strategy before the start of each financial year. In addition, this report fulfils the Council’s legal obligation to have regard to the CIPFA Code under the *Local Government Act 2003.*

8. Any investments held for service purposes or for commercial reasons i.e., the Council’s non-treasury investments, are considered in a separate report. The (Non-Treasury) Commercial Investment Strategy 2024/25 report meets the requirements of the statutory guidance issued by the Ministry of Housing, Communities and Local Government’s (now referred to as Department for Levelling up, Communities and Local Government - DLUHC) in its *Guidance on Local Government Investments 2018 Edition*.

9. Attached at **Annex E** of this report is a comprehensive glossary of treasury terms to provide definitions and background for treasury reports.

Link to the Medium-Term Financial Strategy (MTFS)

10. It is a statutory requirement, under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires the calculation of a budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. Capital expenditure must not exceed an amount which can be afforded, in terms of interest charges and running costs for the foreseeable future.

11. The Local Government Act 2003 requires a local authority to have regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that its capital investment plans are affordable, prudent and sustainable. The Prudential Indicators are approved as part of this report which is included in the Medium-Term Financial Strategy (MTFS), but the Treasury Indicators are included in this report as they require consideration as part of the Treasury Management Strategy. This is in line with CIPFA’s Prudential Code released in December 2021. The Prudential Code, whilst tightening regulation, has not had a material effect on the Council, as no borrowing has been taken to fund commercial or treasury investments.

12. The Treasury Management Strategy is a key element of the MTFS, as the planned capital expenditure programme drives the borrowing required. This is explained further in the Borrowing Strategy from **paragraph 41** onwards.

External Context

Economic background

13. The economic back drop to this report for the first part of 2023/24 saw:
    - Interest rates rise by 100bps, taking Bank Rate from 4.25% to 5.25%.
    - Short, medium and long-dated gilts remain elevated.
    - CPI inflation falling from 8.7% in April to 4.6% in October.
    - Core CPI inflation declining to 5.6% in October from 7.1% in April and May.
    - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth.

14. 2023/24 has seen an end to the monthly in the bank base rate rises by the Bank of England seen in the previous year. UK base rates rose from 4.25% in March 2023 to 5.25% in August 2023. It is expected that UK interest rates may peak at this level, as forecast by Link, the Council's independent treasury advisor, and begin to reduce by September 2024, after the Bank of England has brought inflation under control.

15. The UK Consumer Price Index (CPI) inflation declined from 6.8% in July to 6.7% in August and September, the lowest rate since February 2022 and then fell again to 4.6% in October. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 5.6%, reversing all rises since March. In its latest monetary policy meeting on 06 November, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the 'stickiness' of inflation.

16. The tightness of the labour market continued to ease with the number of job vacancies consistently falling with the rate falling to 2.9%. This is close to the 2.5% associated with low wage growth, however, the cooling in labour market conditions still has not fed through to an easing in wage growth.

17. The registering of 0.0% GDP growth for Q3 suggests that underlying growth has stalled since the start of the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness. As the growing drag from higher interest rates intensifies over the next six months, the Councils treasury advisers, Link, predict the economy will continue to lose momentum and soon fall into a mild recession.

18. In the US, the Federal Reserve has increased rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4.0% with further tightening a possibility. The main message coming from most central banks is that interest rates will be 'higher for longer' until inflation is fully under control.

19. Global events such as the war in Ukraine and now the turbulence in the Middle East' mean that there is still instability in the global economic environment.

Credit outlook

20. Although bank Credit Default Swaps (CDS) prices, the market indicators of credit risk, spiked upwards during the days of the Truss/Kwarteng government in the autumn of 2022, they have since returned to more normal levels. However, market sentiment can shift, so it remains important to undertake continual monitoring of all aspects of risk and return in current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

21. Significant levels of downgrades to short and long-term credit ratings have not materialised since the Covid-19 crisis in March 2020. In the main, where they did change, any alterations were limited to credit outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

22. Looking forward, potential for bank losses still remains a risk and a cautious approach to bank deposits in 2024/25 is advisable. The Council, as a local authority, is exposed to bail-in risk, as the Government will no longer support banks if they fail but rather it will be the investors who primarily bear the financial burden of rescuing the bank.

Interest rate forecast

23. The Council's treasury management advisor, Link, forecast for interest rates reflects a view that the MPC will be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least the second half of 2024. Link expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move. There is a likelihood of the UK enduring at least a mild recession over the coming months, although most recent GDP releases have surprised with their on-going robustness.

24. The overall longer-run trend is for gilt yields and PWLB rates, as forecast by Link, is to fall back over time up to December 2026, as inflation starts to fall through 2024.

25. Due to the ongoing risks in the economy, the treasury strategy retains the low-risk approach adopted in recent years, based on prioritising security, liquidity and then yield.

Local Context

26. On 30 November 2023, the Council held £398.5 million of external borrowing and had £411.7 million temporarily invested. The Council's forecast future requirements for borrowing and investments can be considered in the context of its balance sheet forecasts described in the following paragraphs.

Balance sheet

27. In terms of borrowing, the Council discloses its Capital Financing Requirement (CFR) as part of its Statement of Accounts. This represents the underlying need to borrow for capital purposes i.e., the amounts that have been financed through external and internal borrowing rather than being permanently

financed. As the CFR also includes capital expenditure that has been funded through Private Finance Initiatives (PFI), these PFI liabilities are removed to calculate the Council's Loans CFR.

28. The Council's Treasury Advisors, Link, performed an independent reconciliation of the CFR calculation using the Statement of Accounts. The Council's figures were proved to be correct, giving confidence in the accuracy of the borrowing commitment and the level of investment that is required.

29. If the Council borrows to fund additional capital expenditure, this will increase its Loans CFR; conversely repaying debt through the Minimum Revenue Provision (MRP) will reduce its Loans CFR. The table below shows forecasts for the Council's Loans CFR and how this will be financed through external and internal borrowing:

	31.03.23 Actual £m	31.03.24 Estimate £m	31.03.25 Forecast £m	31.03.26 Forecast £m	31.03.27 Forecast £m
Loans CFR	560.8	567.2	579.6	579.1	571.7
Less: External borrowing	(458.5)	(398.5)	(388.5)	(373.0)	(363.0)
Internal / (over) borrowing	**102.3**	**168.7**	**191.1**	**206.1**	**208.7**

30. The previous table shows that the Council's Loans CFR is due to increase in 2023/24 and 2024/25 before decreasing thereafter; primarily because of the capital programme being lower than MRP in future years, alongside repayments of external borrowing as they mature. The Council's internal borrowing requirements move in line with the Loans CFR projections.

31. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total external borrowing should be lower than its highest forecast CFR over the next three years; the previous table shows the Council will comply with this recommendation over the period of the MTFS.

32. For investments, the Council's total resources available are measured by its usable reserves and working capital less any amounts that have been internally borrowed. The Council is facing pressure moving forward on reserves due to increased liabilities arising from the deficit in Dedicated Schools Grant (DSG) funding. The following table reflects the best-case scenario in terms of reserve levels:

	31.03.23 Actual £m	31.03.24 Estimate £m	31.03.25 Forecast £m	31.03.26 Forecast £m	31.03.27 Forecast £m
Usable reserves	515.0	413.0	380.0	328.0	285.0
Working capital surplus	(20.0)	(20.0)	(20.0)	(20.0)	(20.0)
Less Internal borrowing	(102.3)	(168.7)	(189.6)	(200.4)	(195.0)
Advance Pension contributions	19.0	(22.0)	10.0	12.0	(22.0)
Investment / (New borrowing)	**451.7**	**242.3**	**218.9**	**153.9**	**74.3**

33. The table above demonstrates that the Council's recent strategy of using internal borrowing to reduce the need for external borrowing also reduces temporary investment levels. It also indicates that the Council will have sufficient internal resources to cover the internal borrowing requirement in 2024/25 and will not need to borrow from external sources. Within the table above, it is assumed that the Council will make a further payment in advance for 3 years' pension contributions in 2026/27, as it did previously in 2023/24. The Council is expected to continue to make significant savings by doing so, as opposed to paying contributions monthly, for the 3-year period. In addition, the table also assumes the best case scenario in terms of pressure caused by the DSG on reserves.

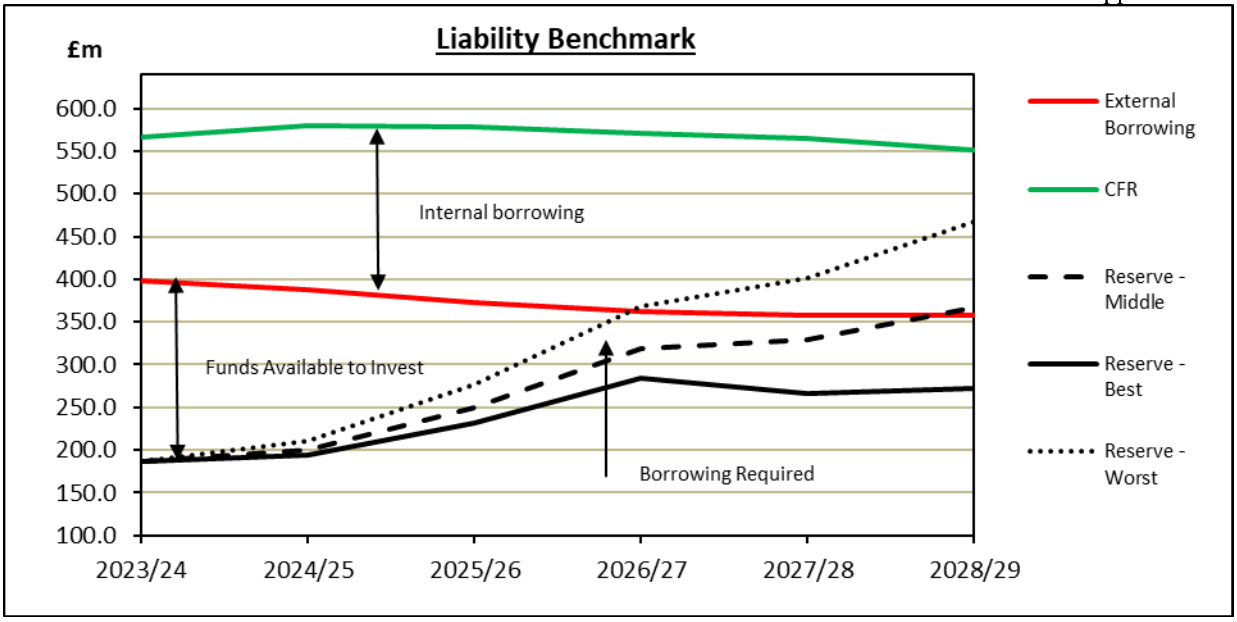
<u>Liability benchmark</u>

34. The CIPFA Prudential Code requires local authorities to develop their own liability benchmark to manage treasury management risk. The liability benchmark represents the minimum amount of loans required to maintain cash balances at nil, i.e., when all usable reserves and working capital surpluses are used to offset the amount of loans borrowed.

35. Forecasts for the liability benchmark can be used to predict when further borrowing may be required or when cash is available to invest. Forecasts for the Council's liability benchmark are shown in the following table and chart:

	31.03.23 Actual £m	31.03.24 Estimate £m	31.03.25 Forecast £m	31.03.26 Forecast £m	31.03.27 Forecast £m
External loans	458.5	398.5	388.5	373.0	363.0
(Less Investments) / Add New borrowing	(451.7)	(242.3)	(220.4)	(159.6)	(88.0)
Net borrowing requirement	**6.8**	**156.2**	**162.1**	**196.4**	**241.0**
Add: Minimum investments*	30.0	30.0	30.0	30.0	30.0
Liability benchmark	**36.8**	**186.2**	**192.1**	**226.4**	**271.0**

* Long term loans to two Local Authorities (Derby and Redcar and Cleveland).



36. The chart shows that the Council's Loans CFR (green line) has been financed through a combination of external borrowing (red line) and internal borrowing (the difference between the red line and the black line).

37. The chart indicates that during the MTFS period covered, the Council will not need to take out any additional external loans to finance its planned capital expenditure and can continue with its strategy of using cash in lieu of such borrowing if the best case scenario in respect of DSG pressures is realised. In addition there are two other lines on the graph for the middle and worst case scenarios. In the worst case the Council may need to take out borrowing in late 2025/26 to replace internal borrowing. This is merely swapping internal borrowing for external loans to fund the capital programme which is legitimate and acceptable.

Policy framework

38. When assessing the various options for borrowing and investment, it is still important to have a policy framework. The table that follows sets out three main elements.
- Objectives
- Economic considerations
- Relevant risks.

39. The table compares borrowing and investments side by side to highlight the similarities and differences. For example, some of the economic considerations (i.e., the yield curve) are similar, whilst some aspects are different.

	Borrowing strategy	Investment strategy
Objectives	• Reduce the average rate (cost) of debt ensuring debt is affordable • Maintain medium term budget stability • Be able to respond to changes in the external environment	• Ensure security (to ensure bills can be paid) • Provide liquidity (i.e., to pay the bills as they fall due) • Earn interest

Economic considerations	• The shape of the whole yield curve* (the level of interest rates for different lengths of time) • The steepness of the yield curve • Forecast changes in interest rates • The relative position of interest rates to the average cost of the debt • The direction of travel for the level of overall debt in the future • Cash balances available to support the strategy	• The shape of the short-term yield curve* • Forecast changes in interest rates • Counterparty issues (credit worthiness) • Type of financial instrument • Risk in the financial environment
Relevant risks	• Security • Liquidity • Interest rate • Market risk • Refinancing • Regulatory and legal	• Security • Liquidity • Interest rate • Market risk • Refinancing • Regulatory and legal

*The yield curve is a fundamental concept; it represents the price paid by the Council for its long-term loans or the interest rate received for the money it invests.

40. The Council's risk management for treasury borrowing and investments will form part of a separate risk register that is currently being developed.

Borrowing Strategy 2024/2025

41. At the start of 2024/25, the Council will hold £398.5 million of loans as part of its strategy for funding previous years capital programmes. The Council will need to ensure total amounts borrowed do not exceed the authorised limit for borrowing of £702 million, as disclosed in **Annex C** and as part of the capital strategy which includes liabilities for PFI schemes.

Objectives

42. The primary objective for the Council when considering the need to borrow money is to strike an appropriate balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. Although lower interest costs may be secured for the short term, it is more difficult to predict interest costs over the long term.

Strategy

43. Given the ongoing financial pressures on public services and local government funding, the Council continues to address the key issue of affordability without compromising the long-term stability of its debt portfolio. As short-term interest rates have been lower than long term interest rates for a long period of time, it has been more cost effective for the Council to use its internal cash resources in lieu of borrowing in the short term.

44. The current economic environment still continues to favour using cash in lieu of borrowing as:

- the yield curve is fairly flat out for many years but the margin the PWLB add on to onward lend to local authorities means it is cheaper to use cash than to borrow;
- due to bail-in legislation it is important to minimise investment risk, as using cash in lieu of borrowing reduces investment balances;
- using cash in lieu of borrowing within practical cash management limits would meet key parts of the current government guidance on local government investments, i.e., managing the security and liquidity risks for investments;
- interest rate forecasts show the Bank Rate is expected to remain above the average debt rate for the next year and beyond. Continuing to use cash in lieu of borrowing would meet the objective of bringing down the average rate of interest for borrowing and provide an opportunity to fund the capital programme at low cost; and
- the medium/long term debt levels are forecast to be lower for longer.

45. In the past, cash balances have been sufficient to allow the strategy of using cash without the need to raise further external loans. The liability benchmark analysis at **paragraph 35** indicates that this is set to continue into 2024/25.

46. The Council does recognise that there may be unexpected reductions in cash balances in the future. This could be due to:
- increases in the capital programme;
- budget pressures;
- changes in the Council's cash funding because of structural changes; or
- LOBO (Lender Option, Borrower Option) loan options being called.

47. Where additional liquidity is needed, the Council can call upon short-term temporary loans raised from the money markets, including from other local authorities who have surplus cash to invest. The Council can also obtain long term loans of over one year, for example, through the PWLB.

48. It is important to understand that when raising loans, the whole of any funding gap does not need to be closed with the new loans. A gap should be retained that continues to use available cash for the reasons outlined at **paragraph 43**. The proposed borrowing strategy aims to strike a balance between the liquidity needs of day-to-day cash management with the low-risk approach that is maintained by using cash in lieu of external borrowing.

49. The Council will monitor the benefits of using cash in lieu of borrowing, via the Treasury Management Panel, chaired by the Director of Finance (S151 Officer), on a regular basis. The strategy of using cash in lieu of borrowing must be balanced against the possibility that long-term borrowing costs may increase in future years, leading to additional costs as a result of deferring borrowing. The Council will need to determine whether it borrows additional sums, at long term fixed rates in 2024/25, with a view to keeping future interest costs low. To this end, the Council will take into account the advice and analysis carried out by its treasury management advisor – Link.

<u>Sources of borrowing</u>

50. The approved sources of long term and short-term borrowing are:
- the Public Works Loans Board (PWLB);

- UK Municipal Bonds Agency Plc and any other special purpose companies created to enable local authority bond issues;
- other UK public sector bodies;
- UK public pension funds (except the Staffordshire Pension Fund);
- approved banks or building societies authorised to operate in the UK; and
- any institutions approved for investments.

Long term loans

51. The Council has previously raised the majority of its long-term borrowing from the PWLB, a statutory body that issues loans to local authorities. Government consent is not ordinarily required, hence the PWLB continues to be the ‘lender of first resort’ because of the flexibility and ease of access. However local authorities are required by law to have regard to the Prudential Code and only borrow within relevant legislation and their borrowing powers.

52. HM Treasury have also put measures in place to prevent public bodies using PWLB funding to finance any commercial investments and there are mechanisms to recall such funding if this is found to be the case. In addition, the latest Prudential Code explicitly prevents local authorities borrowing to fund commercial ventures.

53. The Council currently holds £51 million of long-term borrowing in the form of LOBO loans. The lender has the option to propose an increase in the interest rate at set dates, following which the Council, as the borrower, has the option to either accept the new rate or to repay the loan at no additional cost. £33 million of these LOBO loans have such call options during 2024/25. Although the Council understands that lenders are still unlikely to exercise their options in the current interest rate environment, there does remain an element of refinancing risk.

54. Under the current strategy, the Council will repay all LOBO loans where call options are exercised by the lender. In addition, the Council will consider repaying LOBO loans where a loan restructuring opportunity arises and is considered financially advantageous (see **paragraph 59**).

55. Where the Council is considering taking out long-term loans, the following observations are important:
    - the Council’s existing loan portfolio is very long term, this can be seen in the graph at **Annex D,** and taking medium term loans would rebalance the portfolio; and
    - the yield curve is currently marginally inverted over 10-15 years, so shorter-term loans are relatively cheaper.

56. Any decision to borrow long term will be taken by the Treasury Management Panel, chaired by the Director of Finance (S151), and reported to the Cabinet Member for Finance and Corporate Matters. This is because the optimum timing to borrow cannot always be foreseen, and a decision often needs to be taken at short notice. Members will be kept informed via the outturn and half-year treasury management reports.

Short term loans

57. Short term loans raised from money markets are typically under 12 months in duration. These are low cost, and the Council can respond flexibly to liquidity pressures by raising these when needed. The disadvantage of short-term loans is one of availability and it can be difficult to raise them quickly from banks and building societies.

58. The local authority lending market has progressed considerably in recent years and loans are generally available in the short to medium term. However, future availability cannot be predicted, as loans raised depend upon other local authorities still having cash balances and being prepared to lend them to the Council.

Loan restructuring

59. Movements in interest rates over time may provide opportunities to restructure the loan portfolio in one of two ways:
- replace existing loans with new loans at a lower rate (known as loan rescheduling); or
- repay loans early without replacing the loans, although this would increase the use of cash.

60. Market conditions have shifted in the last 12 months and Gilt yields have risen from the historic lows seen over the last 10 years. This rise in Gilt yields means that there is a possibility that PWLB premiums may be low and could be offset by interest savings on extinguished loans in addition discounts may be offered on some loans. The Treasury Team will continue to monitor the market and identify possible savings arising during 2024/25.

61. The Council's ability to adjust its loan portfolio through restructuring is only possible if:
- the Government allow it; PWLB rules have been changed in the past without notice; or
- market conditions allow economically beneficial repayment.

62. Market conditions and regulations are not constant and do change and loan restructuring can only be carried out when conditions are favourable. The decision as to when to undertake loan restructuring will be delegated to the Treasury Management Panel, chaired by the Director of Finance (S151), and reported to the Cabinet Member for Finance and Corporate Matters.

Annual Investment Strategy (AIS) 2024/25

63. It is the Council's Borrowing Strategy that determines its Investment Strategy. In the current economic environment, where short term investment rates are lower than borrowing rates, this still favours the use of cash instead of external borrowing, hence balances available for temporary investments are likely to be less.

64. The Council will have significant levels of cash to invest at different points of the year; this usually represents income received in advance of expenditure plus balances and reserves held. In the first half of the previous financial year,

the Council’s investment balance ranged between £374 million and £507 million.

MiFID II

65. Following the introduction of the second Markets in Financial Instruments Directive (MiFID II) regulations from January 2018, local authorities will automatically be treated as retail clients by financial services firms, unless they meet the criteria and ‘opt up’ to be professional clients. As a retail client, the Council would receive enhanced protections, but this would also mean it may face increased costs and restricted access to certain products including money market funds, pooled funds, treasury bills and treasury advice.

66. The Council meets the criteria set out under MiFID II and having chosen to ‘opt-up’, will continue to be treated as a professional client by regulated financial services firms in 2024/25.

Objectives

67. The CIPFA Code requires local authorities to invest their cash prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.

68. The Council’s objective when investing its cash is to strike an appropriate balance between risk and return, thereby minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal to or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. In addition, this value shall be reported and compliant with all CIPFA codes regarding treasury and commercial investments.

Strategy

69. The main characteristics which should determine an investment strategy are:
- the credit risk of the counterparties invested with;
- the length of the investment; and
- the type of financial instrument that is used.

70. The Council has taken a low-risk approach to investment and the AIS for 2024/25 will continue to do so. The Council will continue to concentrate its short-term investments in secure money market funds, short term commercial deposits in banks as recommended by the Council’s treasury advisor, Link, and government investments. In addition, the use of Ultra Short Dated Bond Funds (USDBF’s) and Short Dated Bond Funds (SDBF’s) will be used as diversifiers, as these are considered appropriate vehicles in which to securely invest funds.

71. DLUHC Guidance on Local Government Investments specifies the types of financial instruments that local authorities can invest in, and the Council has divided its approved investments into Standard Investments and Non-standard Investments.

Standard Investments

72. The Council considers Standard Investments to be those made with approved counterparties that do not require further approval from the Treasury Management Panel or Members. These investments tend to be for a period of less than a year and are those most frequently used by the Council. Standard Investments can be invested with;
- UK Government – central government or local authority, parish council or community council;
- short term money market funds (MMFs); and
- bank and building society investments recommended by the Council's treasury advisor, Link.

i) UK Government

73. The Council invests with central government by using its Debt Management Account Deposit Facility (DMADF) account or by purchasing treasury bills. Funds held in the DMADF account are backed by the UK government, so they are very secure; however, returns may be lower than those received from elsewhere.

74. The Council can invest in term deposits with local authorities, which may provide a higher return depending on the availability of, or the need for, cash in the local authority lending market. Like central government investments, local authority investments are not subject to bail in risk. However, the market has reduced since the pandemic due to a lack of local authority borrowers. The Council has set a limit of investing £5m with any one local authority.

75. Although investments in the local authority lending market have a very low risk of insolvency, they are not completely without risk. The financial risks of some local authorities have been well documented in the press; the Council will continue to monitor such developments and seek advice from its treasury advisors where necessary.

ii) Money Market Funds (MMFs)

76. Money Market Funds have high credit quality and are pooled investment vehicles consisting of money market deposits and similar instruments. Short term MMFs that offer same day liquidity can be used as an alternative to instant access bank accounts. Same day notice MMFs have been used by the Council for some time as they have tended to provide greater security and a higher yield than bank accounts.

77. EU regulation, introduced in January 2019, meant that most same day notice MMFs have converted from a Constant Net Asset Value (CNAV) to a Low Volatility Net Asset Value (LVNAV) structure. The assets of LVNAV MMFs are marked to market, meaning the dealing NAV (unit price) may fluctuate. However, LVNAV MMFs are allowed to maintain a constant dealing NAV provided they meet strict criteria and minimum liquidity requirements. Public debt CNAV MMFs are still available where 99.5% of assets are invested in government debt instruments.

78. MMFs are a key tool to manage credit and liquidity risk and the Council will continue to use same day notice MMFs that meet the criteria listed below.

These are considered to have sufficient high credit quality to be included on the Council's Approved Lending List:

- Diversified – MMFs invest across many different investments meaning they achieve more diversification than the Council could achieve on its own account:
- Short liquidity – cash can be accessed daily:
- Ring-fenced assets – the investments are owned by investors and not the fund management company; and
- Custodian – the investments are managed by an independent bank known as a custodian, who operates at arms-length from the fund management company.

79. Like all treasury instruments, MMFs do carry an element of risk the failure of one or more of an MMFs investments could lead to a run on MMFs, especially during a financial crisis, although the new MMF regulations do limit this risk to some extent.

iii) Bank and building society accounts

80. The Council can make investments with approved banks and building societies by using call accounts, term deposits or Certificates of Deposit (CD's). CDs are similar to fixed term deposits, but a certificate is issued for a specified length of time and rate of interest. A CD can also be sold in the secondary market if cash is required prior to maturity.

iv) Operational bank account

81. The Council's banking provider is Lloyds Bank. Cash is retained with Lloyds Bank each night earning interest at below market rate; the maximum amount that can be retained for operation purposes will be set in line with the diversification policy set out at **paragraph 84** onwards.

82. In respect of the bank ring-fencing legislation, Lloyds Bank has a relatively small investment banking operation meaning that 97% of the bank's assets remain within the 'retail bank' ring-fence. The Council's business with Lloyds Bank will take place within the 'retail bank' ring-fence (Lloyds Bank Plc) and not form part of their investment banking operations (Lloyds Bank Corporate Markets).

83. Should the Lloyds credit rating fall below the Council's minimum threshold, then minimum balances will be retained with the bank for operational efficiency. The Council will continue to monitor Link's advice on bank credit risk and any changes will be determined by the Treasury Management Panel, chaired by the Director of Finance (S151).

Standard Investments diversification

84. Risks to investments, such as those discussed for MMFs in **paragraph 79**, point towards the fundamental need for diversification across counterparties and investment categories where possible. Diversification can help to protect the security of the investments by limiting the Council's loss in the event of a counterparty default. Diversification will not protect the Council from a systemic failure of the banking sector, even if the risk of this has diminished following the bail-in banking regulations.

85. Diversification can be achieved by setting a maximum amount to be invested with each counterparty to limit risk and to ensure a spread of investments. However, this needs to take account of the fact that investment balances can change throughout the year. The limits shown below are based upon percentages of investments and the Treasury Team at the Council will review and reset these limits at least once a month with reference to forecast future cash balances.

86. Investment diversification is monitored at two levels; firstly, at investment category level:

Investment category	**Maximum % of total investments**
Government Investments	100%
Money Market Funds (MMF)	100%
Banks and Building Societies	50%

87. No limits are proposed for government investments as these may be utilised for all the Council's investments in certain circumstances.

88. Limits in MMF accounts stand at 100% of total investments due to the diversified nature of their underlying investments and their liquidity levels. The Council currently has five MMFs to ensure all cash is not placed in one MMF, thus further diversifying investments.

89. Secondly, diversification will also take place at investment counterparty level:

Banks and Building Societies Lower of:	
£m	Maximum investment as a proportion of total forecast cash balances
30	5% (unsecured) 10% (secured)

Individual MMF Lower of:	
Maximum investment as a share of the total size of the MMF	Maximum investment as a proportion of total forecast cash balances
0.50%	25%

90. Due to bail-in regulations a limit of 10% of cash balances, if investments are secured (e.g., covered bonds) and a limit of 5%, if investments are unsecured (e.g., fixed term deposits) has been set.

91. It is proposed that the application of, and any amendments to, the investment diversification policy is delegated to the Treasury Management Panel, chaired by the Director of Finance (S151).

Non-Standard Investments

92. The Council considers Non-Standard Investments to be all other types of approved investment or investments with counterparties that are not included as part of Standard Investments i.e., those investments that are used less frequently and may require further approval from the Treasury Management Panel or Members.

93. The Non-Standard Investments proposed for use are listed below. Some of these investments' present additional risks to the investments listed within Standard Investments, which would be taken into consideration in any proposed investment.

i) Covered Bonds: issued by banks and building societies against mortgage assets they hold and are guaranteed by a separate group of companies. They are exempt from bail-in as their structure enables investors to have effective security over the mortgage assets, by being sold if needed.
ii) Repos (Repurchase Agreements): comprise the purchase of securities with the agreement to sell them back at a higher price in the future. Investments are exchanged for assets such as government bonds, which can be sold in the case of a loss.
iii) UK Government Gilts: similar to the DMADF account and Treasury Bills but a longer-term investment that can be sold in the secondary market.
iv) Multilateral Development Bank Bonds: 'AAA' rated bonds created by institutions and backed by a group of countries. They can be sold in the secondary market if needed.
v) Collective Investment Schemes: Examples include pooled property and equity funds which have very different risk and return profiles to same day notice MMFs. Enhanced MMFs are considered to be collective investment schemes; they typically have a 3–5-day liquidity notice period as they invest further along the yield curve. Ultra-Short and Short dated Bond funds with a longer-term outlook also fall into this category.
vi) Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

94. Non-Standard Investments that are subject to market risk (this is the risk that the value of the investment can go down as well as up) would usually be held until maturity. At maturity the investment and accrued interest would be paid in full. However, some investments could be sold early if there were concerns over the borrower defaulting.

Non-Standard Investment diversification

95. Diversification of Non-Standard Investments is equally important, and the Council has set the following investment amounts and duration limits, split into two groups (see **Annex A**).

- Long-term local authority loans and UK Government Gilts: these have a combined investment limit of £45 million (up to 40 years duration) due to their high credit quality. The Council has held £30 million of long-term local authority investments since 2013.
- Other Non-standard Investments: these have an individual investment cap amount per asset class of £100 million (up to 10 years duration) with an overall cap of £200 million for this group.

96. This means a total of £245 million can be invested in Non-standard Investments in 2024/25 and this is reflected in **Annex C,** Prudential Indicator point 4. The decision to invest in Non-Standard Investments will only be taken after due consideration by the Treasury Management Panel, chaired by the Director of Finance (S151).

97. **Annex A** sets out the investment categories authorised for use in 2024/25 and **Annex B** lists the Council's Lending List at the time of writing this report.

Credit Management Strategy 2024/25

98. Investments made by the Council should be of 'high credit quality'. Although this can be difficult to define, credit ratings can be used as published by external credit rating agencies (the three main agencies are Moody's, Standard & Poors and Fitch). Credit ratings are monitored by and obtained from the Council's treasury management advisor, Link, where available.

99. An important aspect of Link's service is the provision of credit advice. As a treasury advisor, Link provide information about suitable investments in the context of the current economic risk environment and incorporates the views of credit rating agencies. It is important to note that the Council maintains the ultimate responsibility for the decisions it takes about its investments and will not use a counterparty that, for any reason, it does not deem appropriate.

100. For 2024/25, the minimum credit-rating thresholds are set at a long-term rating of 'A-' where applicable. Counterparties that are rated below this level are excluded. However, credit ratings are not the only aspect of how creditworthiness is assessed by Link.

101. The Council uses the creditworthiness service provided by Link to help determine its Lending List. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:
    - "watches" and "outlooks" from credit rating agencies;
    - CDS spreads that may give early warning of changes in credit ratings;
    - sovereign ratings to select counterparties from only the most creditworthy countries.

102. The Link modelling approach combines credit ratings and any assigned watches and outlooks in a weighted scoring system, which is then combined with an overlay of CDS spreads. The methodology produces a series of colour coded bands shown below (and at the end of **Annex B**) which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments

- Yellow – up to 5 years
- Dark Pink - up to 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light Pink - up to 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple - up to 2 years
- Blue - up to 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange - up to 1 year
- Red - up to 6 months
- Green - up to 100 days
- No colour - not to be used

As demonstrated, the Link creditworthiness service uses a wider array of information than just primary credit ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

103. Typically, the minimum credit rating criteria the Council uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-, as stated in **paragraph 100**. There may be occasions when the counterparty ratings from one rating agency are marginally lower but as long as the remaining two agencies have them in range they may still be used. In these instances, consideration will be given to the whole range of ratings available to support their use.

104. The credit list will be monitored on a weekly basis using Link's weekly update information. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service. In addition to the use of credit ratings the Treasury Team will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Financials benchmark and other market data, on a daily basis via Link's exclusive Passport website. Extreme market movements may result in the downgrade of an institution or removal from the Council's Lending List.

105. If Link communicate credit rating changes and significant changes in other risk indicators to the Treasury Team, action will be taken. Where an entity has its credit rating downgraded, so that it fails to meet the approved investment criteria, then:

- no new investments will be made;
- any existing investments that can be recalled or sold at no cost will be; and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

106. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn (on the next working day) will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which

indicate a long-term direction of travel rather than an imminent change of rating.

107. As mentioned previously, the Council retains the ultimate responsibility for its investment decisions. The Treasury Management Panel chaired by the Director of Finance (S151) meets monthly and reviews any changes recommended by Link. In between these meetings, the Treasury Team may be required to make investment decisions at short notice upon the recommendation of Link. Where required, the Treasury Team will implement these recommendations pending retrospective approval by the Treasury Management Panel. On the rare occasion that Link do not make a firm recommendation, this will also be referred to the Panel for review. The Council will also use market data, information on any external support for banks, and knowledge of geo-political factors to help support its decision-making process.

108. Under stressed market conditions, additional Treasury Management Panel meetings may take place at very short notice after which the Panel may decide to adjust the Council's investment risk profile. This may result in moving investments to lower risk counterparties or instruments.

Non-treasury investments

109. These are discussed as part of a separate investment strategy report titled '(Non-Treasury) Commercial Investment Strategy 2024/25'.

Review of strategy

110. The Council will prepare a revised strategy when there are significant changes to the following factors:
- the economic environment;
- the financial risk environment;
- the budgetary position;
- the regulatory environment; or
- the appointment of a new treasury management advisor.

111. The responsibility for assessing these circumstances and proposing changes to the strategy is delegated to the Treasury Management Panel.

Policy on the use of external service providers

112. Link are the Council's current external treasury management advisor appointed via a competitive tender process. The contract with Link is for three years plus an extension option for one, which commenced on 1 April 2021.

113. Link are contracted to provide information, technical accounting assistance and an investment advice service. The Council recognises that the ultimate responsibility for treasury management decisions always remains with itself.

114. An annual review of service quality is carried out by the Treasury Management Panel. Treasury Advisors are expected to attend meetings bi-annually to discuss strategy and how well they are assisting the Council to discharge its responsibilities.

Investment management training

115. Treasury management is a specialised area requiring high quality and well-trained staff that have an up-to-date knowledge of current issues, legislation and treasury risk management techniques.

116. Officers who attend the Treasury Management Panel are senior qualified finance professionals. Treasury practitioners attend regular CIPFA and treasury advisor training seminars throughout the year and have any training needs identified during the Council's staff review process. The Treasury Team and its processes are also subject to regular audit and independent checks.

117. Member training is also important to introduce treasury concepts. The need for training events will be kept under review with sessions arranged in the future if necessary.

Policy on the use of financial derivatives

118. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g., interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g., LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment).

119. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

120. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives, to ensure that it fully understands the implications.

Rob Salmon
Director of Finance

<u>Background Documents</u>

1. Treasury Management in the Public Services: Code of Practice (CIPFA) (2021)
2. Prudential Code for Capital Finance in Local Authorities (CIPFA) (2021)
3. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
4. Statutory Guidance on Local Government Investments – Issued under Section 15(1) (a) of the Local Government Act 2003 (2018)
5. Statutory Guidance on Minimum Revenue Provision – Issued under section 21 (1A) of the Local Government Act 2003 (2018)

6. Localism Act 2011 – Guidance on the General Power of Competence in sections 1 to 6.

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Cabinet – 24 January 2024 - Investment categories authorised for use 2024/25

Investment	Standard	Non-standard	Comments
UK Government - Debt Management Account Deposit Facility (DMADF) (standard investment)	**unlimited**	×	6 months maximum available
UK Government - Treasury Bills (T-Bills) (standard investment)	**unlimited**	×	6 months maximum available
UK local authorities term deposits (standard investment)	**unlimited***	**£45m across these categories**	Up to 40 years in duration (non-standard)
UK Government – Gilts	**unlimited**		
Money Market Funds	✓	×	100% of total investments in this category. Individual MMF - Lower of 0.50% of individual MMF size or 25% of total forecast cash balances per MMF
Term deposits with banks and building societies	✓	×	50% of total investments in this category. Lower of 5% (unsecured) or 10% (secured) of total forecast cash balances or £30m per counterparty
Certificates of deposit (banks / building societies)	×	**Maximum £100m per investment category and £200m in total across all categories**	Up to 10 years in duration (non-standard)
Bonds issued by Multilateral Development Banks	×		
Collective Investment Schemes	×		
Covered Bonds	×		
Real Estate Investment Trusts	×		
Repos (repurchase agreement)	×		

** Up to 12 months*

Cabinet – 24 January 2024
Staffordshire County Council Lending List

Counterparty by Country	Current Maximum Investment Duration
Australia	
Australia and New Zealand Banking Group Ltd.	12 months
Commonwealth Bank of Australia	12 months
Macquarie Bank Ltd.	6 months
National Australia Bank Ltd.	12 months
Westpac Banking Corp.	12 months
Belgium	
BNP Paribas Fortis	6 months
KBC Bank N.V.	12 months
Canada	
Bank of Montreal	12 months
Bank of Nova Scotia	12 months
Canadian Imperial Bank of Commerce	12 months
National Bank of Canada	6 months
Royal Bank of Canada	12 months
Toronto-Dominion Bank	12 months
Denmark	
Danske A/S	6 months
Finland	
Nordea Bank Abp	12 months
France	
BNP Paribas	12 months
Credit Agricole Corporate and Investment Bank	12 months
Credit Agricole S.A.	12 months
Credit Industriel et Commercial	12 months
Societe Generale	6 months
Germany	
Bayerische Landesbank	6 months
DZ BANK AG Deutsche Zentral-Genossenschaftsbank	12 months
Landesbank Baden-Wuerttemberg	6 months
Landesbank Berlin AG	12 months
Landesbank Hessen-Thueringen Girozentrale	12 months
Landwirtschaftliche Rentenbank	24 months
Norddeutsche Landesbank Girozentrale	100 days
NRW.BANK	24 months
Netherlands	
ABN AMRO Bank N.V.	6 months
Bank Nederlandse Gemeenten N.V.	24 months
Cooperatieve Rabobank U.A.	12 months
ING Bank N.V.	12 months
Nederlandse Waterschapsbank N.V.	24 months
Singapore	
DBS Bank Ltd.	12 months
United Overseas Bank Ltd.	12 months

Sweden	
Skandinaviska Enskilda Banken AB	12 months
Svenska Handelsbanken AB	12 months
Swedbank AB	12 months
Switzerland	
UBS AG	12 months
United Kingdom	
Collateralised LA Deposit	60 months
Debt Management Office	60 months
Multilateral Development Banks	60 months
Supranationals	60 months
UK Gilts	60 months
Bank of Scotland PLC (RFB)	6 months
Barclays Bank PLC (NRFB)	6 months
Barclays Bank UK PLC (RFB)	6 months
Goldman Sachs International Bank	6 months
Handelsbanken Plc	12 months
HSBC Bank PLC (NRFB)	12 months
HSBC UK Bank Plc (RFB)	12 months
Lloyds Bank Corporate Markets Plc (NRFB)	6 months
Lloyds Bank Plc (RFB)	6 months
NatWest Markets Plc (NRFB)	6 months
Santander Financial Services plc (NRFB)	6 months
Santander UK PLC	6 months
SMBC Bank International Plc	6 months
Standard Chartered Bank	6 months
Coventry Building Society	6 months
Leeds Building Society	100 days
Nationwide Building Society	6 months
Skipton Building Society	6 months
Yorkshire Building Society	100 days
National Westminster Bank PLC (RFB)	12 months
The Royal Bank of Scotland Plc (RFB)	12 months
United States	
Bank of America N.A.	12 months
Bank of New York Mellon, The	24 months
Citibank N.A.	12 months
JPMorgan Chase Bank N.A.	12 months
Wells Fargo Bank, NA	12 months
Money Market Funds	
Aberdeen	Overnight
Black Rock	Overnight
Insight	Overnight
Federated	Overnight
State Street	Overnight

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

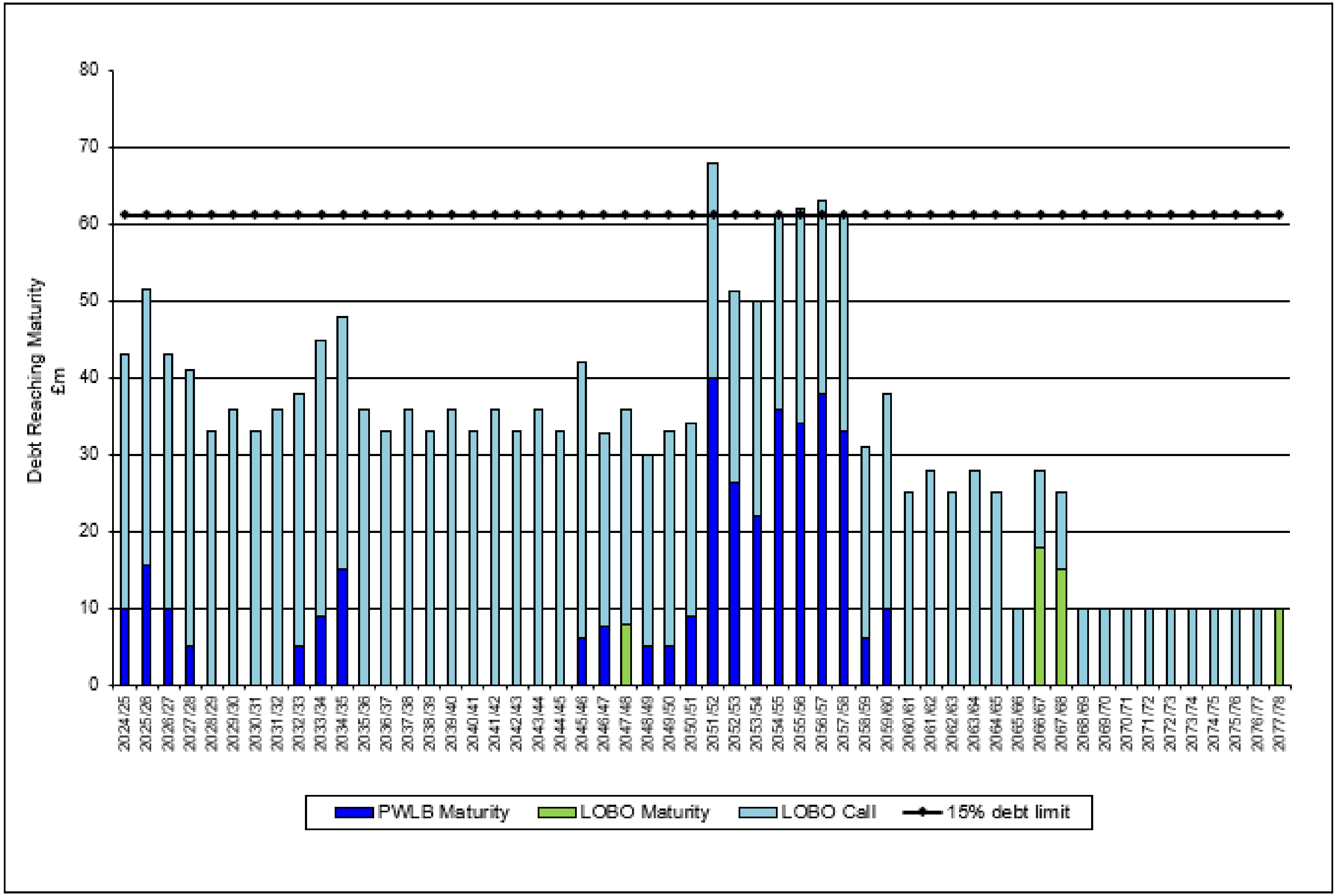
Prudential Indicators for Treasury Management

Indicator	Estimate 2024/25	Estimate 2025/26	Estimate 2026/27	Estimate 2027/28	Estimate 2028/29
1. External Debt	£m	£m	£m	£m	£m
Authorised Limit for borrowing	625	624	617	610	597
Authorised Limit for other liabilities	77	69	62	56	51
TOTAL	**702**	**693**	**679**	**666**	**648**
Operational Boundary for borrowing	487	490	485	478	475
Operational Boundary for other liabilities	77	69	62	56	51
TOTAL	**564**	**559**	**547**	**534**	**526**
External Loans	508	477	446	430	414
The Authorised Limit is the maximum level of external borrowing which should not be exceeded. It is linked to the estimated level of borrowing assumed in the capital programme. *The Operational Boundary represents an estimate of the day-to-day limit for treasury management borrowing activity based on the most likely i.e. prudent but not worst case scenario.* *"Other liabilities" relate to PFI schemes which are recorded in the Council's accounts.*					
2.Interest Rate Exposures					
a. Upper Limit (Fixed)	537.2	549.6	549.1	541.7	534.6
b. Upper Limit (Variable)	(450.0)	(400.0)	(400.0)	(400.0)	(400.0)
The Council has set upper limits of fixed and variable borrowing and investments. The effect of setting these upper limits is to provide ranges within which the Council will manage its exposure to fixed and variable rates of interest. Negative figures are shown in brackets; these relate to the 'high- point' of investments at a variable rate which are not offset by variable borrowings. The exposure to variable rate movements has been reduced by the use of cash in lieu of borrowing.					
3.Maturity Structure of Borrowing	Upper Limit	Lower Limit			
See **Appendix 5**					
This indicator relates to the amount of loans maturing in specified periods. The overarching principle is that steps should be taken from a risk management point of view to limit exposure to significant refinancing risk in any short period of time. The Council currently applies the practice of ensuring that no more than 15% of its total gross fixed rate loans mature in any one financial year. *Because this is a complex situation for the Council, involving PWLB loans, LOBO loans with uncertain call dates and the use of internal cash, specific indicators have not been set. Instead, the Council will manage its exposures within the limits shown in the graph at **Appendix 5**. This graph shows all LOBO call options on a cumulative basis; the actual pattern of repayment, although uncertain, will not be of this magnitude.*					
4.Upper limit for total principal sums invested for longer than a year (from maturity)					
*This limit has been set at the total amount that could be invested in non-standard investments as per the Council's policy (see **paragraph 101**) which is the maximum that could be invested for 1 year or over.*	£245m	£245m	£245m	£245m	£245m

Appendix 9b

Annex D

Staffordshire County Council Maturity Structure of Loans



Treasury Management Glossary

CFR: capital financing requirement - the Council's annual underlying borrowing need to finance capital expenditure and a measure of the Council's total outstanding indebtedness.

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

CPI: consumer price index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

DLUHC: the Department for Levelling Up, Housing and Communities - the Government department that is responsible for local authorities in England.

ECB: European Central Bank - the central bank for the Eurozone.

EU: European Union.

EZ: Eurozone - those countries in the EU which use the euro as their currency.

Fed: the Federal Reserve System, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.

FOMC: the Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members--the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.

GDP: gross domestic product – a measure of the growth and total size of an economy.

G7: the group of seven countries that form an informal bloc of industrialised democracies--the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom--who meet annually to discuss issues such as global economic governance, international security, and energy policy.

Gilts: gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); while the coupon rate is fixed, the yields will change inversely to the price of gilts i.e., a rise in the price of a gilt will mean that its yield will fall.

HRA: housing revenue account.

IMF: International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

MRP: minimum revenue provision - a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

PFI: Private Finance Initiative – capital expenditure financed by the private sector i.e., not by direct borrowing by a local authority.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

QE: quantitative easing – is a form of monetary policy where a central bank creates new money electronically to buy financial assets, such as government bonds, (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and return inflation to target. These purchases increase the supply of liquidity to the economy and this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. QE is reversed by selling the bonds the central bank had previously purchased, or by not replacing debt which matures.

RPI: the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – Consumer Price Index. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

SONIA: the Sterling Overnight Index Average. Generally, a replacement set of indices (for LIBID and LIBOR) for those benchmarking their investments. The benchmarking options include using a forward-looking (term) set of reference rates and/or a backward-looking set of reference rates that reflect the investment yield curve at the time an investment decision was taken.

TMSS: the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full council before the start of each financial year.

VRP: a voluntary revenue provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition).

Commercial Investment Strategy 2024/2025

Recommendation of the Cabinet Member for Finance and Corporate Matters

Report of the Director of Finance (S151)

1. That Cabinet approves:

    (a) the Commercial Investment Strategy for 2024/25 and notes the circumstances under which Commercial Investments can be made;

    (b) the Governance arrangements that are in place for proposing and approving Commercial Investments;

    (c) a maximum quantum for Commercial Investments of £20 million in 2024/25;

    (d) a maximum limit for an individual Service Investment Loan of £10 million in 2024/25; and

    (e) that any upwards change in the amounts of the limits specified in Recommendations 1(c) and 1 (d) be delegated to the Director of Finance in consultation with the Cabinet Member for Finance and Corporate Matters.

Introduction

2. The County Council ('the Council') can invest its money for three main purposes:
    - **Treasury Management Investments** – when the Council has surplus cash because of its day-to-day activities, i.e., where income is received in advance of expenditure;
    - **Service Investments** – when the Council supports local public services by lending to or buying shares in other organisations; and
    - **Commercial Investments** – where the Council's main purpose is to earn investment income.

3. The Council's treasury management investments are considered as part of the Council's Treasury Management Strategy 2024/25, which is the subject of a separate report, and which meets the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) *Treasury Management in the Public Services Code of Practice 2021 Edition* (the CIPFA Code).

4. The Commercial Investment Strategy 2024/25 report meets the requirements of the statutory guidance issued by the Ministry of Housing, Communities and Local Government (now referred to as Department for Levelling up, Communities and Local Government - DLUHC) in its *Guidance on Local Government Investments 2018 Edition*. It will concentrate on Service Investments and Commercial Investments i.e., the Council's non-treasury management investments. This Strategy covers Council matters only and does not include Staffordshire Pension Fund investments, which are subject to separate governance arrangements.

5. With effect from 26 November 2020, as a condition of accessing the Public Works Loan Board (PWLB), Local Authorities have been asked to confirm that there is no intention to buy investment assets, primarily for yield, in the current or next two financial years. As there is no intention by the Council, to buy commercial investments purely for yield, nor to fund them through the PWLB, then this is not a cause for concern. Commercial investments for the Council will remain in line with the acceptable use of PWLB monies, which includes investment for:

   - Service Delivery;
   - Housing;
   - Regeneration;
   - Preventative Action; and
   - Refinancing / Treasury Management activity (including to replace 'internal borrowing').

6. CIPFA released the latest version of the Prudential Code in December 2021 and the points affecting this report are as follows:
   - A local authority must not borrow to invest primarily for financial return;
   - Commercial Property – makes clear any historical asset base is not impacted and that plans to divest should form part of an annual review and be reported as part of the Treasury Management and Capital Strategies;
   - Definition of Investment – separate categories for Treasury Management Investment, Service Investment and Commercial Investment.

   The Council has not, nor plans to, contravene any provisions in the code.

Treasury Management Investments

7. The Council typically receives income in cash (e.g., from precepts and grants) and pays for its expenditure in cash (e.g., through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of long-term borrowing decisions can lead to a cash surplus which is invested in accordance with the Treasury Management guidance from CIPFA.

8. The contribution that treasury investments make to the objectives of the Council is not focussed purely on generating investment income. Whilst yield is an important consideration, it is in support of effective treasury management activities and is, therefore, secondary in nature to the security and liquidity of those investments.

9. Details of the Council's policies and plans for treasury management activities for 2024/25 are covered in the Treasury Management Strategy, which includes the Annual Investment Strategy.

Service Investments

10. The core function of the Council is to deliver statutory and local public services to local residents and ensure the general wellbeing of the county and its residents. Indeed, the Council's own Vision is for an innovative, ambitious and sustainable county, where everyone has the opportunity to prosper, be healthy and happy.

11. Service Investments can be broadly defined as any investments made to support delivery of statutory and local public services, and the details of these are contained

within the Capital Strategy for 2024/25, which is also the subject of a separate report. However, in terms of the DLUHC guidance on Service Investments, these are more specifically defined as Loans or Shares.

Loans

12. The Council can lend money to third parties, to support local public services and stimulate economic growth.

13. Previously, the Council has lent £150,000 to Nexxus Trading Services Ltd, a company wholly owned by the Council to provide social care services for older people and those with disabilities. The loan has now been repaid to the Council in full.

14. Whilst the loan to Nexxus was to an organisation with which the Council has strong links, if the Council wanted to make a loan to local organisations, such as suppliers, local businesses, local charities, housing associations, local residents, or its employees, it would need to ensure the loan meets service delivery objectives or fulfils one of its roles as a local authority.

15. The principal risk of making Service Investment loans is that the borrower may be unable to repay the principal lent or the interest due. To limit this risk, the Council will need to consider setting upper limits for each category of borrower and potentially a maximum single loan amount. To provide some flexibility, it is proposed that the maximum single loan amount for 2024/25 be set at £10 million. Consideration will also need to be given to limits by category of borrower and any single loan amount limits within those categories. Proportionality and the covenant strength of the borrower will also need to be considered e.g.; a local business relative to an employee.

16. Any request for a service loan will be considered on its own merits. The Council will need to undertake a full risk assessment before making a service loan and continue to assess the covenant strength of the borrower, during the full term of the loan. The risk assessment will consider, but not be limited to, the following:

- Assessment of the market and the borrower including:
    i. the nature and level of competition in that market;
    ii. how the market and borrower's needs will evolve over time;
    iii. any barriers to entry or exit to that market;
    iv. any ongoing investment needs for the borrower; and
    v. any State Aid considerations.
- Whether and how the Council will use external advisors.
- How the quality of advice from the external advisor will be monitored and maintained.
- To what extent credit ratings have been used.
- Where credit ratings are used, how they are monitored and the procedures for taking action if credit ratings change.
- What other sources of information are used to assess and monitor risk.
- Any security that might be required.

17. Where service loans are made, the Council will make every reasonable effort to ensure the full amount lent is repaid and will have appropriate credit control arrangements in place to recover overdue payments. Accounting standards still

require the Council to set aside loss allowances for any likelihood of non-payment. The Council will report the balance owed less any loss allowance in its statement of accounts.

Shares

18. The Council can invest in the shares of a third-party organisation to support local public services and potentially stimulate local economic growth.

19. Prior to the revised guidance being issued, the Council already owned 49% of the shares in Entrust and Capita Business Services Limited (a subsidiary of Capita Plc) owned the remaining 51%. Entrust primarily provide education support services to local schools, so this investment clearly aligns itself to the Council's service delivery objectives i.e., the running operations of schools in Staffordshire.

20. The main risk of investing in shares is that they may fall in 'market value', meaning that the initial outlay may not be recovered if there was ever a need to sell the shares. The Council's shares in Entrust had a nil value at 31 March 2023; however, the investment continues to contribute to the Council's service delivery objectives.

21. To try to limit this risk in the future, and as part of this strategy, the Council could consider setting upper limits on the amount that can be invested in each category of shares. However, no limits are being suggested for 2024/25, as any investment proposal will need to be considered fully prior to being presented to Cabinet for their decision.

22. Any request to invest in the shares of a company for service purposes will be considered on its own merits. The Council will need to undertake a full risk assessment before making such an investment and will also need to continue to assess the financial strength of the company whilst it remains invested in those shares. The risk assessment will consider, but not be limited to, the following:

- Assessment of the market and the investment company including:
    i. the nature and level of competition in that market;
    ii. how the market and the investment company's needs will evolve over time;
    iii. any barriers to entry or exit to that market; and
    iv. any ongoing investment needs for the company.
    v. any State Aid considerations.
- Whether and how the Council will use external advisors.
- How the quality of advice from the external advisor will be monitored and maintained.
- To what extent credit ratings have been used.
- Where credit ratings are used, how they are monitored and the procedures for taking action if credit ratings change.
- What other sources of information are used to assess and monitor risk.

23. For liquidity purposes, both types of Service Investments fall outside the remit of the Capital Strategy; therefore, the Council will need to put in place procedures to determine how it will stay within any Approved Limits and the maximum investment duration permitted for investments. For 2024/25, with very few Service Investments anticipated, it is proposed that this be incorporated into the risk assessment of the

individual loan or share proposals, which will be overseen as part of the governance arrangements described later in this report.

Commercial Investments

24. Under current DLUHC Guidance, the Council is not permitted to make Commercial Investments with the intention of making a profit or generating revenue income.

Property Commercial Investments

25. In November 2019, CIPFA published its informal guidance on ‘Prudential Property Investment’, highlighting concerns over the recent and rapid expansion of commercial property purchases and its relationship with the statement in the Prudential Code ‘that local authorities must not borrow more than, or in advance of, their needs purely in order to profit from the investment of the extra sums borrowed’.

26. HM Treasury have expressly prohibited PWLB lending for commercial purposes and furthermore, have put measures in place to prevent such activity. The Council does not have any such Commercial Investments in property. CIPFA also revised the Prudential Code to further strengthen the position, and this now prevents authorities from borrowing to invest primarily for financial return.

27. Whilst there has been some political challenge about borrowing to invest outside of the local area, more acceptable would be investment in property, within the local area, particularly where it supports the provision of services. .

28. Irrespective of location, service purpose or method of funding, any property investments would be subject to the same risk assessment process as other Commercial Investments. This will include, but not be limited to, the following:

- Assess the market and the investment specifics including:
    i. the nature and level of competition in that market;
    ii. how the market and the investment will evolve over time;
    iii. any barriers to entry or exit to that market; and
    iv. any ongoing investment needs for the asset class.
- Whether and how the Council will use external advisors.
- How the quality of advice from the external advisor will be monitored and maintained.
- What other sources of information are used to assess and monitor risk.

29. Property has additional risk considerations in terms of valuation, income and liquidity.

- The market and accounting valuations may be lower than the purchase cost (including taxes and transaction costs) and this may have revenue account consequences.
- Rental income is dependent on having a tenant and the ability of that tenant (covenant) to make payment.
- Properties can be difficult to sell and convert to cash at short notice, especially in certain market conditions.

Other Commercial Investments

30. Under the wider Commercial Investment opportunity, the Council can also invest in non-property related assets such as Equities, Bonds, Land, and Infrastructure. Within these asset classes, there are different sub-sectors and they are structured in multiple different investment forms and legal structures, such as direct investments, unitised investment vehicles and limited partnerships.

Loan Commitments and Financial Guarantees

31. Whilst not investments per-se, as no money has exchanged hands, loan commitments and financial guarantees are referenced for completeness, as they carry similar risks to investments.

Commercial Investment Panel

32. During 2019/20, the Council formed a Commercial Investment Panel ('the Panel') consisting of senior officers at the Council and chaired by the Director of Finance. The Panel meets periodically, and as necessary, to consider Commercial Investment opportunities and how they might be aligned with investment in Staffordshire and the public services the Council needs to provide.

33. The Panel agreed the remit and scope of its Commercial Investment Strategy. This included discussions regarding:

- The initial investment quantum;
- The likely investment asset class and sector;
- The favoured geographic location of the investment; and
- The target for income and growth required from the investment.

34. To date, the Council has not made any Commercial Investments and before doing so, detailed consideration of any proposed investments will be reviewed in accordance with the Governance framework described later in this report (see **Paragraph 40 - 45**).

Quantum, Proportionality and Diversification

35. Guidance recommends that if a local authority plans to become dependent on profit generating investment activity to achieve a balanced revenue budget, then it must show the extent of that dependency as part of this report. Contingency plans if it fails to achieve the expected net profits should also be outlined.

36. Whilst the Council does have Service Investments in the form of shares, and whilst the Council is open to reviewing its approach to determine whether income from investments can be improved, the Council is not currently, nor does it plan to become, dependent on profit generating investment activity to achieve a balanced revenue budget. However, it is considered good practice and good risk management to consider the Council's exposure to Commercial Investments in terms of total exposure, single investment exposure and diversity of investments.

37. In respect of Commercial Investments, it is proposed that in 2024/25 total exposure should be capped at £20 million p.a. Whilst it would be beneficial to also limit the amount on any single investment, thus forcing diversification, (i.e., a £5 million single investment limit would mean a minimum of 4 investments) it is considered impractical

to do so in the early stages of building up any Commercial Investment portfolio. However, this will need to be kept under review.

Borrowing in Advance of Need

38. As referred to previously, Government guidance states that local authorities must not borrow more than, or in advance of, their needs, 'to profit from the investment of the extra sums borrowed'. To date, the Council has not borrowed in advance of need for this purpose. When the Council did borrow in advance of need, or if it is likely to need to do so in the future, then this would only be to fund the borrowing requirement for the capital programme; particularly if future borrowing rates were expected to increase.

39. Alongside the data currently required by the Debt Management Office, to provide a local authority with access to PWLB funding at the 'certainty rate', there is also a requirement to submit additional data and provide assurance from the S151 Officer about the purpose of any borrowing in advance of need. Should it be ascertained that such borrowing is being used to invest primarily for yield, and there has been misuse of the PWLB, then penalties could include:

- a request that the Council unwinds problematic transactions;
- suspension of access to PWLB;
- repayment of loans with penalties; or
- a wider ranging sanction relating to a government review of the local government borrowing and investment framework.

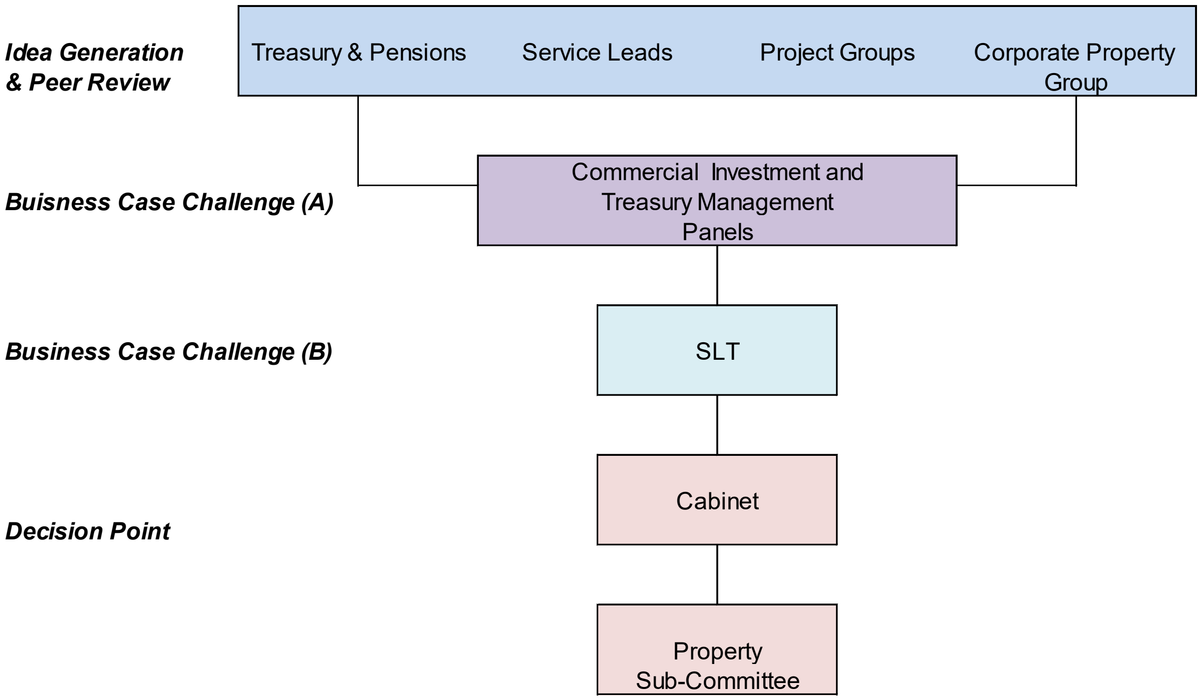
Governance, Capacity, Skills and Culture

40. The Council will ensure that Elected Members and Senior Officers involved in the investment decision making process have the appropriate capacity, skills and information. Those involved in the investment decision making process should;
    - take informed decisions about whether to enter into a specific investment;
    - assess individual investments in the context of the strategic objectives and risk profile of the Council; and
    - understand how their investment decisions can change the risk exposure of the Council.

41. Elected Members and Senior Officers involved in negotiating commercial deals for the Council will be aware of the core principals of the prudential framework and of the regulatory regime within which the Council operates. Whilst much of this has been covered in the body of this report, other things, such as procurement regulations will also need to be considered.

42. Whilst idea generation will not be exclusive, the Council will ensure that it has corporate governance arrangements in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the Council's corporate values. The following chart illustrates how this will work within the current corporate governance arrangements albeit it is recognised that this may need to change as the Council's awareness and involvement in Commercial Investment activity evolves. The Scheme of Delegation, and any relevant sub-schemes, may also need to change to reflect any new arrangements going forward.

Commercial Investment Governance Framework



43. Investment Advisors will be used in the governance process, not only to bring relevant investment expertise and information but also to introduce independent challenge into the process. The cost of using Advisors will need to be considered in any analysis of forecast net investment returns.

44. A Business Case, in an agreed form, but covering such details as that provided in **Annex A** will need to be submitted by the initiator of the investment to facilitate peer review and challenge. As well as a descriptor of the Commercial Investment opportunity, the Business Case will need to demonstrate its alignment to the Council's Vison and Priorities as well as any service delivery considerations. Key areas of the Business Case will include and demonstrate:

- Details of the Investment
- Background (including the Service Objective being fulfilled)
- Due Diligence Undertaken
- Financial and Legal Implications
- Risk and Risk Management

45. The business case will be submitted to the Commercial Investment Panel for consideration to be put forward into the Council's formal decision-making process which, depending on the type of approval required, will go into the committee cycle.

Investment Indicators

46. As part of its routine reporting, and in addition to the various investment limits the Council should also consider setting quantitative indicators to assess its Commercial Investment decisions. As a minimum these should include the Council's total risk exposure, investment funding and the net investment rate of return. Again, indicators will need to be developed as part of working practices should the Council's

Commercial Investment activities gain momentum. An illustration of how these Indicators might be constructed is provided in **Annex B**.

Rob Salmon
Director of Finance

Background Documents

1. Treasury Management in the Public Services: Code of Practice (CIPFA) (2021)
2. Prudential Code for Capital Finance in Local Authorities (CIPFA) (2021)
3. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
4. Statutory Guidance on Local Government Investments – Issued under Section 15(1) (a) of the Local Government Act 2003 (2018)
5. Statutory Guidance on Minimum Revenue Provision – Issued under section 21 (1A) of the Local Government Act 2003 (2018)
6. Localism Act 2011–Guidance on the General Power of Competence in sections 1 to 6.

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Annex A

STAFFORDSHIRE COUNTY COUNCIL

COMMERCIAL INVESTMENT BUSINESS CASE

Illustration of areas to be considered

A **Details of Investment**

1. Name of Investment
2. Proposed Investment / Price £
3. Brief Description of Investment
4. Form and Legal Structure of Investment
5. Forecast Net Investment Return (Capital and Annual Income)
6. Investment Period
7. Investment Management Fees / Developer Profit

B **Background**

1. Reason for proposing Investment
2. Service Objective fulfilled
3. Social Impact
4. Funded from
5. Fit with other Investments / Strategy (Diversification)

C **Due Diligence Undertaken**

1. Investment Advisors / Managers
2. Structure of Company and People involved in the Investment
3. Process for Investment decision making
4. Underlying Investment Philosophy
5. Performance of previous similar Investments
6. Price

D **Financial Implications**

1. Yield
2. Capital / Income Return Targets
3. Source of Funding
4. Borrowing in Advance of Need
5. Commitment, drawdown, investment periods
6. j-curve
7. Payback period
8 Exit Penalties
9. Minimum Revenue Provision implications
10. International Financial Reporting Standard 9 – Financial Instruments
11. Fees

E **Environmental, Social and Governance Implications**

1. Positive / Negative factors

2. Legality
3. Compliance with Council policies.

F **Risk & Risk Management**

1. Security Risk
2. Investment Risk
3. Liquidity Risk
4. Development Risk
5. Counterparty Risk
6. Reputational Risk
7. Compliance Risk
8. Operational Risk
9. Regulatory Risk
10 Interest Rate Risk
11. Market Risk
12. Currency Risk
13. Non-Systematic Risk (Diversification)

G **Legal Implications**

1. Form and Structure of Investment
2. Documents
3. Anti-Money Laundering / Know Your Customer
4. Indemnities
5. Conflict of Interest

H **Procurement Implications**

1. Procurement Route followed
2. Exemptions received

Governance

Peer Review undertaken:

Comments:

Business Case Challenge (A) TMP / CIP undertaken:

Comments:

Business Case Challenge (B) SLT undertaken:

Comments:

Recommendation to Cabinet / Property Sub- Committee:

Annex B

COMMERCIAL INVESTMENT INDICATORS

Total Risk Exposure

This demonstrates the Council's total exposure to potential investment losses.

Total investment exposure	**31 March 24 Actual £m**	**31 March 25 Forecast £m**	**31 March 26 Forecast £m**
Treasury Management Investments			
Service Investments: Loans			
Service Investments: Shares			
Commercial Investments:			
TOTAL INVESTMENTS			
Commitments to lend			
Guarantees issued on loans			
TOTAL EXPOSURE			

Investment Funding

The Council's investments may be funded by borrowing and /or the use of reserves, capital receipts, grants, developer contributions etc. These will be itemised appropriately.

Net Investment Rate of Return

This indicator shows the investment income received less the associated costs (including the cost of borrowing if appropriate), as a proportion of the sum initially invested. Under the local government accounting framework, not all gains and losses affect the revenue account in the year they are incurred.

Net Investment Rate of Return	**2023/24 Actual**	**2024/25 Forecast**	**2025/26 Forecast**
Treasury Management Investments			
Service Investments: Loans			
Service Investments: Shares			
Commercial Investments:			
ALL INVESTMENTS			

Financial Health Indicators

	Current Performance
Level of General Reserves (annual indicator) Well managed organisations operate with an adequate level of general reserves taking into account the risks they face. We determine the actual level of reserves we require annually through a risk based approach. However, it is prudent to aim to hold a minimum level of general reserves.	
General reserves are maintained at a level of at least 2% of the council's current net revenue budget	G
Aged Debt (quarterly indicator) * Organisations need to ensure that money owed to them is collected in a timely manner. This indicator shows how well we are managing to collect money owed to us.	
Level of outstanding general debtors more than 6 months old does not exceed £27.8m	G
Working Capital (annual indicator) It is essential that working capital is well managed. This indicator shows how well our debtors and creditors are being managed.	
Current debtors divided by current creditors is in the acceptable range of 1 - 3	G
Payments to suppliers (quarterly indicator) By paying suppliers quickly we are supporting the Staffordshire economy. It also means businesses are more likely to want to do business with us and offer us competitive rates which will improve our financial health in the medium term.	
At least 90% of invoices have been paid within 30 days of us receiving them during the last quarter	G
Financial Monitoring (quarterly indicator) Effective financial monitoring is essential in any organisation. Monitoring provides organisations with early information of potential issues enabling them to take corrective action to avoid future financial difficulties.	
Quarterly financial monitoring reports have been issued to Cabinet during the last 12 months	G
The council's most recent revenue outturn forecast did not vary by more than +/-2% when compared to the overall revenue budget	G
Financial Reporting (annual indicator) Preparing timely and accurate accounts is vital to demonstrate to interested parties that we have sound financial controls. They also provide detailed information which shows our overall financial health.	
The council's most recent Statement of Accounts were produced on time	G
The council's most recent Statement of Accounts were issued with an unqualified opinion by our external auditors on time	R

R Indicator not met	A Indicator not met by small margin	G Indicator met

*Targets have been re-calculated in the light of increased income levels and changes to charging arrangements, the targets are subject to final assessment by the Director of Finance.

Appendix 11

Proposed Net Budget 2024/25 Planning Forecasts 2025/26 to 2028/29

	Proposed Net Budget 2024/25	Planning Forecast 2025/26	Planning Forecast 2026/27	Planning Forecast 2027/28	Planning Forecast 2028/29
	£m	£m	£m	£m	£m
Health and Care					
Public Health and Prevention	26.980	26.980	26.980	26.980	26.980
Public Health Ring Fenced Grant	(26.980)	(26.980)	(26.980)	(26.980)	(26.980)
Adult Social Care and Safeguarding	45.631	46.986	48.200	49.441	50.710
Care Commissioning	243.556	259.810	269.932	277.522	292.684
ASC Capacity and Discharge Fund	(7.643)	(7.643)	(7.643)	(7.643)	(7.643)
ASC Market Improvement & Sustainability Fund	(15.496)	(15.496)	(15.496)	(15.496)	(15.496)
Improved Better Care Fund	(32.709)	(32.709)	(32.709)	(32.709)	(32.709)
Sub Total	*233.339*	*250.948*	*262.284*	*271.115*	*287.546*
Children and Families					
Children's Services	146.151	150.004	150.897	151.216	152.183
Children's Public Health	11.300	11.300	11.300	11.300	11.300
Public Health Ring Fenced Grant	(11.300)	(11.300)	(11.300)	(11.300)	(11.300)
Education Services	39.277	40.569	41.734	44.610	44.295
Wellbeing and Partnerships	9.482	9.867	10.200	10.541	10.890
Sub Total	*194.910*	*200.440*	*202.831*	*206.367*	*207.368*
Economy, Infrastructure and Skills					
Eonomic Development & Strategic Planning	2.734	2.829	2.903	2.979	3.057
Infrastructure & Highways	41.310	40.982	41.190	42.270	44.172
Transport, Connectivity & Sustainability	50.541	54.424	54.858	56.878	57.705
Skills	8.372	8.469	8.547	8.626	8.707
Culture, Rural & Communities	14.700	15.095	15.394	15.734	16.082
EI&S Business Support	1.247	1.293	1.320	1.348	1.376
Sub Total	*118.904*	*123.092*	*124.212*	*127.835*	*131.099*
Corporate Services					
Assets	13.530	13.980	14.363	14.755	15.156
Business Support and Compliance	12.106	12.545	12.887	13.238	13.598
Comms & Marketing	0.966	1.008	1.042	1.077	1.113
People	4.639	4.802	4.937	5.075	5.216
Governance	6.230	6.465	6.662	6.864	7.071
Corporate Services	0.417	0.432	0.443	0.454	0.466
Strategy	4.028	4.670	4.786	4.905	5.027
Sub Total	*41.916*	*43.902*	*45.120*	*46.368*	*47.647*
Finance					
Audit & Financial Services	5.928	6.113	6.263	6.416	6.573
Corporate Accounting	4.112	4.246	4.357	4.470	4.586
Finance Management	0.271	0.279	0.285	0.291	0.298
Decision Making Support	2.445	2.522	2.584	2.648	2.713
Treasury & Pension Fund Service	0.283	0.297	0.307	0.317	0.327
Sub Total	*13.039*	*13.457*	*13.796*	*14.142*	*14.497*
Service Total	**602.108**	**631.839**	**648.243**	**665.827**	**688.157**
Capital Financing					
Capital Financing	18.054	26.911	29.412	29.472	31.035
Capital Investment Fund	3.500	3.500	3.500	3.500	3.500
Centrally Controlled	25.185	24.301	25.677	27.437	29.806
Traded Services / Business Partner	(0.934)	(0.934)	(0.934)	(0.934)	(0.934)
Social Care Investment Programme	2.258	2.258	2.258	2.258	2.258
Digital Investment	1.500	-	-	-	-
Contingency	15.000	10.000	10.000	10.000	10.000
Net Revenue Budget	**666.671**	**697.875**	**718.156**	**737.560**	**763.822**
Use of Reserves	4.552	(9.845)	(7.233)	(5.088)	(7.135)
Budget Requirement	**671.223**	**688.030**	**710.923**	**732.472**	**756.687**
Revenue Support Grant	(13.262)	(13.262)	(13.262)	(13.262)	(13.262)
Retained Business Rates	(128.457)	(130.447)	(132.188)	(134.359)	(136.603)
Settlement Funding Assessment	**(141.719)**	**(143.709)**	**(145.450)**	**(147.621)**	**(149.865)**
New Homes Bonus	(1.050)	-	-	-	-
Council Tax Collection Fund Surplus / Deficit	(1.795)	-	-	-	-
Services Grant	(0.644)	-	-	-	-
Social Care Grant	(66.892)	(66.892)	(66.892)	(66.892)	(66.892)
Council Tax	(459.123)	(478.037)	(497.954)	(518.393)	(539.656)
Financing Total	**(671.223)**	**(688.638)**	**(710.296)**	**(732.906)**	**(756.413)**
(Headroom) / Shortfall	-	*(0.608)*	*0.627*	*(0.434)*	*0.274*

Appendix 12

Summary of Budget Changes

Proposed Net Budget 2024/25	2023/24 Revised Base Budget £m	Inflation £m	Other Service Movements £m	Total Spending Pressures £m	Total Pressures £m	Investments £m	Service Savings £m	2024/25 Draft Budget £m
Health and Care	**227.372**	3.171	(23.139)	21.963	**1.995**	0.000	3.972	**233.339**
Children and Families	**174.257**	10.607	0.000	15.450	**26.057**	(0.015)	(5.389)	**194.910**
Economy, Infrastructure and Skills	**112.490**	6.331	0.000	0.083	**6.414**	0.000	0.000	**118.904**
Corporate Services	**40.088**	1.697	0.000	(0.019)	**1.678**	0.000	0.150	**41.916**
Finance	**12.508**	0.499	0.000	0.032	**0.531**	0.000	0.000	**13.039**
Service Total	***566.715***	***22.305***	***(23.139)***	***37.509***	***36.675***	***(0.015)***	***(1.267)***	***602.108***
Centrally Controlled Items	**44.926**	(1.777)	(17.964)	0.000	**-19.741**	0.000	0.000	**25.185**
Traded Service	**(0.934)**	0.000	0.000	0.000	**0.000**	0.000	0.000	**(0.934)**
Capital Financing	**27.380**	0.000	(5.826)	0.000	**(5.826)**	0.000	0.000	**21.554**
Social Care Investment Programme	**0.000**	0.000	2.258	0.000	**2.258**	0.000	0.000	**2.258**
Digital Investment	**0.000**	0.000	1.500	0.000	**1.500**	0.000	0.000	**1.500**
Contingency	**11.578**	0.000	3.422	0.000	**3.422**	0.000	0.000	**15.000**
Net Revenue Budget	***649.665***	***20.528***	***(39.749)***	***37.509***	***18.288***	***(0.015)***	***(1.267)***	***666.671***

Appendix 13a

Health and Care
BUDGET SUMMARY

	2023/24 Original Budget **£m**	2023/24 Revised Budget **£m**	2024/25 Draft Budget **£m**
Public Health and Prevention	31.090	31.090	26.980
Public Health Ring Fenced Grant	(31.090)	(31.090)	(26.980)
Adult Social Care and Safeguarding	37.700	42.126	45.631
Care Commissioning	218.989	217.954	243.556
Better Care Fund	(32.709)	(32.708)	(32.709)
ASC Capacity & Discharge Fund	0.000	0.000	(7.643)
ASC Market Improvements & Sustainability Fund	0.000	0.000	(15.496)
TOTAL	**223.980**	**227.372**	**233.339**
Centrally Controlled Items	3.840	3.840	3.915
Total Including Centrally Controlled Items	227.820	231.212	237.254

Appendix 13b

Children and Families
BUDGET SUMMARY

	2023/24 Original Budget £m	2023/24 Revised Budget £m	2024/25 Draft Budget £m
Children's Services	132.436	132.814	146.151
Childrens Public Health	10.151	10.151	10.151
Public Health Ring Fenced Grant	(10.151)	(10.151)	(10.151)
Education Services	33.232	32.415	39.277
Wellbeing and Partnerships	8.307	9.028	9.482
TOTAL	**173.975**	**174.257**	**194.910**
Centrally Controlled Items	2.712	2.898	2.765
Total Including Centrally Controlled Items	176.687	177.155	197.675

Appendix 13c

Economy, Infrastructure and Skills
BUDGET SUMMARY

	2023/24 Original Budget **£m**	2023/24 Revised Budget **£m**	2024/25 Draft Budget **£m**
Eonomic Development & Strategic Planning	3.062	2.627	2.734
Infrastructure & Highways	40.224	40.915	41.310
Transport, Connectivity & Sustainability	45.389	45.981	50.541
Skills	7.354	8.264	8.372
Culture, Rural & Communities	1.200	13.504	14.700
EI&S Business Support	13.049	1.199	1.247
TOTAL	**110.278**	**112.490**	**118.904**
Centrally Controlled Items	4.080	3.206	4.155
Total Including Centrally Controlled Items	114.358	115.696	123.059

Appendix 13d

Corporate Services
BUDGET SUMMARY

	2023/24 Original Budget **£m**	2023/24 Revised Budget **£m**	2024/25 Draft Budget **£m**
Assets	12.241	12.843	13.530
Business Support and Compliance	10.913	11.611	12.106
Comms & Marketing	0.838	0.919	0.966
People	3.605	4.459	4.639
Governance	6.617	5.987	6.230
Corporate Services	0.402	0.399	0.417
Strategy	3.544	3.870	4.028
TOTAL	**38.160**	**40.088**	**41.916**
Centrally Controlled Items	3.984	3.984	4.064
Total Including Centrally Controlled Items	42.144	44.072	45.980

Appendix 13e

Finance
BUDGET SUMMARY

	2023/24 Original Budget **£m**	2023/24 Revised Budget **£m**	2024/25 Draft Budget **£m**
Audit & Financial Services	4.433	5.721	5.928
Corporate Accounting	3.642	3.931	4.112
Finance Management	0.413	0.230	0.271
Decision Making Support	2.279	2.359	2.445
Treasury & Pension Fund Service	0.205	0.267	0.283
TOTAL	**10.972**	**12.508**	**13.039**
Centrally Controlled Items	0.825	0.825	0.839
Total Including Centrally Controlled Items	11.797	13.333	13.878

Executive response to recommendations of the Corporate O&S Committee MTFS Working Group report

	Comments and Recommendations of the Corporate O&S Committee	**Cabinet Member** Accept/ accept in part /Do not accept	**Cabinet's Response - Comments** Further detail: Current position, plans and timeline Resource implication
R1	**Plan B** - that Cabinet considers preparing a contingency plan to refer to if Plan A goes off track. Not a replacement but a plan that offers an alternative to compliment the risk-based approach on what we know so far 2024-26, assumptions from five-year trend and performance data. With so many uncertainties in the coming years, combined with some significant risks, it would be useful to have the assurance from Cabinet that a Plan B exists.	Leader and Cabinet Member for Finance and Resources Accept	Cabinet have considered the risks and financial uncertainties and have set a Contingency budget at £15m for 2024/25 which is a reasonable sum to set aside to meet unknown pressures, should they emerge. In considering the level of reserves and their use to support the MTFS, the risks have been taken into account and the use of reserves is sustainable in the medium term. In the longer term, Cabinet are recommending that services begin to identify savings and transformation in order to ensure the budget can be balanced in future.
R2	**Children's Transformation** - that the Children's Transformation programme continues at pace and delivers a reduction in numbers of children in our care, in line with the assumptions in the MTFS. It is recommended that Cabinet and Corporate Overview and Scrutiny Committee receive quarterly	Cabinet Members for Children and Young People and Finance and Resources	Cabinet is closely monitoring the Children's Transformation programme, dashboard monitoring performance is shared with the Children's Improvement Board and Safeguarding Overview and Scrutiny where an overview of performance is provided and corrective actions being taken. The additional items requested will be considered for inclusion within the reports.

	monitoring as part of the integrated performance updates, as follows: a. High-level dashboard monitoring of the transformation programmes performance. b. Exception reporting and corrective actions planned. c. A breakdown of the target savings against delivery dates		
R3	**SEND Transport** – that Cabinet be requested to inject more pace to move forward on SEND transport work and encourage exploring new ways to engage with parents to find provision for their child nearer to home.	Cabinet Member for Education (and SEND)	Cabinet are monitoring the financial forecast and progress against reviewing the SEND Transport service closely. Actions to increase efficiency of route planning, increasing vehicle occupancy have been supported and impact is being monitored.
R4	**EHCP Guidance** – that Cabinet be requested to challenge the lack of clarity in the guidance when determining EHCP's and make representation to the Secretary of State for Education to review policy and guidance in the interests of clarity and consistency in EHCP process.	Leader and Cabinet Member for Education (and SEND)	Lobbying the government over the guidance surrounding EHCPs will be considered and may be incorporated into future lobbying undertaken by Cabinet.

	Comments and Recommendations of the Corporate O&S Committee	**Cabinet Member** Accept/ accept in part /Do not accept	**Cabinet's Response - Comments** Further detail: Current position, plans and timeline Resource implication
	The Corporate Overview & Scrutiny Committee have issued a number of recommendations in their report to Cabinet on Carbon Sequestration and Woodland Creation. This report was presented to Cabinet on 17th January 2024.		Whilst formal responses to the recommendations on carbon sequestration and woodland creation will be provided, the MTFS does include provision for investments in Countryside and the environment around Chasewater and Cannock Chase in particular plus investment in tree planting.